Weekend FT

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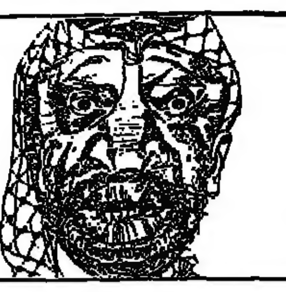

The man who would not go away
Yassir Arafat (left) and the Palestinians are again at the centre of maelstrom of Middle East politics. Tony Walker and Andrew Gowers report. *Page I*

War in peace
Count Nikolai Tolstoy (left) and the ghosts that refuse to be laid to rest *Page VII*

Lessons of the Crash
Three years on, Black Monday still casts its shadow *Page III*

World Series upset
Mark McGwire (left), and the other Oakland stars are struggling against the Reds *Page IX*

How to send it
Lucia van der Post goes armchair shopping for Christmas *Page XXI*

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

FT No. 31,282
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WORLD NEWS

EC ministers fail to agree farm reforms

EC farm ministers appeared last night to have failed for a third time in two weeks to reach agreement on international farm reform, throwing the Uruguay Round talks of the General Agreement on Tariffs and Trade into disarray.

The issue may now go to the special summit of heads of government in Rome next weekend. Page 2

Iraq to ration petrol
Iraq is to introduce petrol rationing in one of the first signs that the UN economic blockade is affecting its economy. Page 3

Bank names economist
Mervyn King, professor of economics at the London School of Economics, is to to be chief economist and an executive director at the Bank of England from next March. Page 5

Arms sales halted
Chilean arms manufacturer Carlos Cardoen is to suspend the sale of cluster bombs to Ethiopia after pressure from Chile's new democratic government and Cardoen's Arab customers. Page 3

Glasgow yard warning
Yarrow Shipbuilders, the Glasgow yard owned by the General Electric Company, warned it would have to cut its workforce by 550, almost a sixth of the total, unless new Ministry of Defence orders were forthcoming soon.

Greek prison riot
Inmates at the top security Korydallos prison in Athens climbed on to cell block roofs, burned mattresses and hurled rocks at police to demand reforms in the third prison riot in Greece this month.

Massacre claims denied
Lebanon denied allegations that Syrian troops had shot in cold blood scores of soldiers loyal to rebel Christian general Michel Aoun last weekend. Page 3

Peruvian bomb attacks
Left-wing Shining Path guerrillas were suspected of carrying out a bomb attack at the German embassy in Lima, Peru, on Thursday night. No one was injured. A machinery factory was also attacked where a guard was killed.

Yugoslav vice-president
Stjepan Mesic, a former political prisoner from the republic of Croatia, was sworn in as Yugoslavia's vice-president.

Crewmen missing
Twenty crewmen were missing after a Portuguese fishing boat was seriously damaged in a collision with a Greek freighter 240 miles south of the island of Gran Canaria.

Indian crashes kill 77
At least 77 people were killed and 55 injured in two bus accidents in India. Buses skidded off the road near Pithorgarh in Uttar Pradesh and near Lonawala in Maharashta.

Earthquake in Canada
An earthquake measuring 5.2 on the Richter scale, centred about 65 miles north of Ottawa, shook buildings in the Canadian capital, but no serious damage was reported.

Tirana reopens airspace
Albania opened its airspace to commercial aircraft for the first time in 24 years. During that time the country appeared on airline maps as a blank space with a warning to pilots that they risked being shot down if they strayed into it.

BUSINESS SUMMARY

Jaguar offers 12.5% pay increase

Union leaders at Jaguar, the car manufacturer, agreed yesterday to recommend a management offer which would raise pay for manual workers by 12.5 per cent in the first year of a two-year deal.

A £30m rescue package was agreed for Davies & Newman, the parent of Dan Air, the UK's third largest airline, including a £450,000 contract for Mr David James, the new group chairman. The previous chairman earned £36,000 in 1988. Page 22; Lex, Page 22

MORGAN Crucible, industrial materials and electronics group, has won an important round in its legal battle to sue the former directors of and advisers to First Castle Electronics, a company which Morgan Crucible acquired in 1986. Page 8

MICHELIN: France's stock exchange watchdog, the Commission des Opérations de Bourse (COB), launched an inquiry into suspect dealings in the shares of the troubled tyre maker, whose share price fell by 12.9 per cent to end the day at a new low of FFr59.20 (£5.90). Page 10; Michelin plunges, Page 19

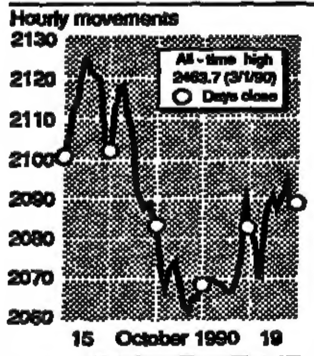
HARLIN Holdings, private company which owns 56 per cent of Elders IXL, confirmed the sale of 17 per cent of Elders to Asahi Breweries of Japan in a deal worth A$759m (£303.4m) subject to the approval of the Australian Foreign Investment Review Board. Elders shares closed 11 cents up at A$1.35. Page 10

SIR TERENCE CONRAN has resigned as a non-executive director of Storehouse, the retail group. He retains 2.2m shares in the company. Page 8

TOTTENHAM Hotspur shares were suspended at a closing price of 91p as the stock exchange's quotations panel said it needed more information about the football club company.

LONDON: The Conservative's defeat in the Eastbourne by-election counter-balanced the effects of strong performances by Tokyo and New York equities overnight and the FT-SE failed to hold its ground after briefly regaining 2,100 at the day's peak. The 100-share index edged 6.4 points higher to close at 2,089.0. London Stock Exchange, Page 13; Lex, Page 22

FT-SE 100 Index
Hourly movements



TOKYO stock market celebrated the third anniversary of Black Monday with a record turnover of 1.1bn shares for the year and a sharp rise in the Nikkei which leapt past 25,000 before profit-taking left it at 24,481.49. Page 3; World stock markets, Page 18

NORWAY plans to link the krone to the European Currency Unit (Ecu) from Monday, bringing hopes of lower interest rates in the country.

Conservatives begin inquest into Eastbourne defeat

By Alison Smith

A GRIM inquiry by Conservative Party managers began yesterday into one of their most disastrous by-election defeats of recent years.

Mrs Margaret Thatcher was said to be "disappointed" at the loss of Eastbourne, one of the safest Tory seats, to the Liberal Democrats in a spectacular result early yesterday.

While Mr Kenneth Baker, the Tory chairman, asserted that in a general election the party would regain the constituency, ministers admitted that the result had to be taken seriously.

The decision of voters in Eastbourne was "not something that we shall take lightly or simply ignore," Sir Geoffrey Howe, the deputy prime minister, promised. But he warned the result should not dent the party's determination to take the tough measures necessary to defeat inflation.

Concern about high interest rates, the poll tax and the uniform business rate were among the factors which turned a Tory stronghold with a near 17,000 majority into a Liberal Democrat seat with a majority of over 4,500.

There was also controversy over the style of the campaigning by Mr Richard Hickmet, the Tory candidate. The by-election was caused by the IRA murder in July of Mr Ian Gow, the sitting MP, and Mr Hickmet appeared to suggest that anything other than a Tory win would be a moral victory for terrorism.

Mr David Bellotti, the Liberal Democrat candidate, called his success "the beginning of the end of Thatcherism".

The only silver lining for the Tories was Labour's low share of the poll. Its candidate, Ms Charlotte Atkins narrowly avoided losing her deposit.

Labour insisted that this was because of tactical voting. One party official conceded that there were Tory seats in the south of England which Labour was never likely to win, but which could fall to a stronger Liberal Democrat party. A revival of Liberal Democrat fortunes, however, could damage Labour in seats where an anti-Tory majority was split more evenly in the last general election, the official said.

Labour party managers are keen to see emphatic victories for the party at the by-elections in Bradford north and Bootle early next month to reinforce the party's position as the only alternative government to the Tories. Both by-elections were caused by the deaths of Labour MPs.

Mr Baker attributed the Tories' defeat in Eastbourne to conventional mid-term unpopularity, a lower turnout than at the general election, and Mr Gow's strong personal vote.

He insisted that it was too early to set the date of the next general election, but MPs were speculating yesterday that such a damaging result would mean the government delaying the election, possibly until 1992.

The by-election result was: Mr David Bellotti (Lib Dem) 23,415 votes; Mr Richard Hickmet (C) 18,865; Ms Charlotte Atkins (Lab) 2,308. All the other candidates lost their deposits.

By-election analysis, Page 4
Editorial Comment, Page 6
Recession-bound Britain, Page 7

New Soviet finance minister Valentin Pavlov (right) listens to President Gorbachev's address yesterday, as his colleague, Mikhail Shkabardnia of the Supreme Soviet, gets to grips with the speech

Go-ahead for Gorbachev's market reforms

PRESIDENT Mikhail Gorbachev yesterday finally won approval for his plan to transform the Soviet Union into a market economy, writes Quentin Peel in Moscow.

The Supreme Soviet in Moscow voted last night in favour of a plan which is deliberately short on specific commitments but gives the Soviet leader wide powers to put reforms into effect.

The programme will drastically cut central government spending; and reduce central government control over the economy. It is likely to be imposed within weeks.

The vote in favour, by 333 votes to 12 with 34 abstentions, came about after a political compromise between warring economic factions.

Mr Nikolai Ryzhkov, the Soviet prime minister, agreed that he would stay to implement the programme, although it is largely based on the radical 500-day transition to a market economy which he has previously condemned.

Mr Gorbachev's own economic advisers, including Professor Nikolai Petrakov and Professor Stanislav Shatalin, authors of the 500-day plan, and Dr Leonid Abalkin, the deputy prime minister in charge of economic reform, also agreed to forget their dif-

Continued on Page 22

Ukraine shakes off past, Page 6

P&O acquitted of corporate manslaughter

By Robert Rice, Legal Correspondent

P&O European Ferries (Dover), formerly Townsend Car Ferries, was acquitted yesterday of the corporate manslaughter charges brought against it following the 1987 Zeebrugge ferry disaster.

The decision would appear to have far-reaching implications for similar prosecutions in the future.

The case was widely seen as a test of whether or not a company could be prosecuted for manslaughter and the acquittal came after days of legal argument between prosecuting and defence counsel in the absence of the jury.

P&O, which had acquired Townsend shortly before the accident, is only the second company to face charges of corporate manslaughter in a British court. A Welsh construction company, charged in 1965, following the collapse of a bridge, was also acquitted.

Lawyers yesterday were divided as to whether or not the failure of the P&O case meant the civil law would now have to be changed to enable uninsurable awards of punitive damages against companies.

The trial of the ferry company and seven of its employees came to an abrupt end after 27 days when the Judge, Mr Justice Turner, directed the Old Bailey jury to enter formal verdicts of not guilty against all the defendants because the prosecution had failed to prove its case.

The ferry company, together with Mr Jeffrey Develin, chief marine superintendent, Mr John Alcindor, deputy chief marine superintendent, Mr Wallace Ayres, technical director, Mr John Kirby, senior master, Mr David Lewry, master of the Herald, Mr Leslie Sabel, chief officer, and Mr Marc Stanley, assistant bosun, were accused of unlawfully killing Mrs Alison Gaillard. Mrs Gaillard had been on board the Herald of Free Enterprise when it capsized outside Zeebrugge harbour on March 6, 1987, killing 192 people.

The charges alleged that there was an obvious and serious risk that as a result of the failure by the defendants to do their duties properly the ferry would sail with its doors open, capsize and cause death.

The prosecution alleged that they either gave no thought to the risk, or recognising it, nevertheless went on to take it.

The judge said, however, there was no direct evidence available to the prosecution that a reasonably prudent person in the position of the defendants would have perceived the risk as obvious or serious.

Baker warns of Soviet chaos as central control breaks down

By Lionel Barber in Washington

MR James Baker, US Secretary of State, last night gave a bleak warning about the prospect of economic and political chaos in the Soviet Union caused by the breakdown of the old Stalinist system.

Referring to a "darker side of the Russian revolution," Mr Baker said there was a danger that the collapse of a previously all-powerful central authority in Moscow could threaten reform efforts which the US wanted to succeed.

In a keynote speech on US-Soviet relations, Mr Baker made no specific offers of assistance, saying that US influence was marginal: "The hope is that devolution of political authority and decentralisation of economic power will prevail over deterioration and decay."

Mr Baker's sobering assessment of Soviet reform efforts overshadowed a more optimistic vision of a lasting period of global co-operation between the US and Soviet Union which would usher in what President Bush has described as "a new world order".

Mr Baker sought to put flesh

Bush pledge ......Page 3

on these ideas, suggesting that Washington and Moscow, ideological adversaries for 45 years, could in future work together on the environment, curbing nuclear proliferation, and regional conflict prevention.

He said the two countries could also explore the possibility of bilateral and multilateral sanctions against countries violating non-proliferation pacts, as well as ways to work more closely through the United Nations. This would build on the important collaboration established in dealing with Iraq and in overcoming the division of Europe.

"Our relations could become more like those we have with many other governments," said Mr Baker.

As part of this "normalisation," Mr Baker called for wider private and government contacts between the two countries which would amount to a "true democratic dialogue."

A senior US official said the call amounted to a new development in administration policy to broaden its contacts beyond the Moscow leadership, taking account of the political devolution in Soviet society.

The senior official stressed that the US remained committed to the leadership of President Mikhail Gorbachev, but he added: "It is pretty clear that the central policy-making system is under significant stress."

Mr Baker alluded to these stresses in his speech. "The Cold War image of a single totalitarian monolith is gone, replaced by a confusing, jumbled mosaic that presents danger as well as hope.

"Fragmentation equals or exceeds pluralisation in many Soviet political debates. Standards of living are deteriorating, shortages are spreading, and the harvest is rotting."

However, Mr Baker went out of his way to praise the "courageous, far-sighted co-operation of President Gorbachev and Mr Eduard Shevardnadze, and the other new thinkers in Moscow."

MARKETS

STERLING
New York lunchtime:
$1.9577
London:
$1.9595 (1.954)
DM2.945 (2.9525)
FFr9.865 (9.8925)
SFr2.4875 (same)
Y246.75 (244.0)
£ Index 94.5 (94.4)

GOLD
New York: Comex Dec $376.8
London:
$372.5 (366.75)

N SEA OIL (Argus)
Brent 15-day Dec
$32.15 (33.075)

Chief price changes yesterday: Page 22

DOLLAR
New York lunchtime:
DM1.50475
FFr5.036
SFr1.27
Y125.9
London:
DM1.5025 (1.5105)
FFr5.035 (5.0625)
SFr1.2695 (1.2735)
Y125.9 (124.9)
$ index 60.2 (60.3)
Tokyo close: 125.25

US LUNCHTIME RATES
Fed Funds $7\frac{15}{16}$%
3-mo Treasury Bills: yield: 7.46%
Long Bond: 100
yield: 8.74%

STOCK INDICES
FT-SE 100:
2,089.0 (+6.4)
FT Ordinary:
1,621.5 (+3.4)
FT-A All-Share:
1,010.12 (+0.2%)
New York lunchtime:
DJ Ind. Av.
2,479.95 (27.23)
S&P Comp
309.26 (+3.52)
Tokyo: Nikkei
24,481.49 (+114.41)

LONDON MONEY
3-month interbank: closing $13\frac{27}{32}$ (same)
Liffe long gilt future: Dec $83\frac{5}{16}$ ($83\frac{7}{8}$)

CONTENTS

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NEWS IN BRIEF

Berlin police raid communist offices

POLICE yesterday searched the east Berlin offices of the PDS, the successor to the former Communist Party, on suspicion of profiteering in a massive currency fraud which took advantage of the former East Germany's conversion to the D-Mark last May, writes Leslie Colitt in Dresden.

Ten safes were sealed in the party's headquarters and the office of Mr Gregor Gysi, the PDS leader, was searched early yesterday morning. The state prosecutor, however, said the search had failed to disclose any immediate evidence that the party was involved in the currency scandal.

Mr Gysi claimed the police raid was yet another attempt by "certain political circles" to force the PDS into a corner.

Hong Kong cuts prime rate

Hong Kong's prime lending rate is be cut by half a percentage point from 10½ per cent to 10 per cent on Monday. The last change was on August 6 when it also came down by half a point, writes John Elliott in Hong Kong.

The decision was taken yesterday by the Hong Kong Association of Banks in response to a softening in the interbank market.

Tension rising in East Timor

Tension is reported to be increasing in Dili, capital of the Indonesian province of East Timor following the recent occupation of two schools by troops and the interrogation and beating of students, writes Claire Bolderson in Jakarta.

Diplomats and human rights groups say security forces moved into the first school last week after a legal official in East Timor complained of being booed and jeered while addressing students. Several days later troops occupied another school and ordered its closure for a week after the discovery of anti-Indonesian literature there.

Burma priests face ultimatum

The Burmese government has delivered an ultimatum to Buddhist priests to end by tomorrow a movement to "ex-communicate" the military, writes Chit Tun in Rangoon.

General Saw Maung, chairman of the State Law and Order Restoration Council, met with 19 members of the state Buddhist high priests' council yesterday in Rangoon over the refusal of Buddhist monks to accept alms from military personnel or to perform any Buddhist rites or ceremonies for them.

Colombia drug dealer surrenders

A Colombian drug-trafficker surrendered to a judge on Thursday in the first success for President Cesar Gaviria's policy of offering lenient treatment to traffickers who turned themselves in, police sources said, Reuter reports from Bogota.

The sources said Gonzalo de Jesus Rincon Perez, 24, who is wanted for extradition to the US, had surrendered in the western city of Pereira and had confessed to sending cocaine to the US. President Gaviriaannounced on September 5 that he was waiving extradition and cutting jail sentences by up to half for drug-traffickers who turned themselves in and confessed.

Reuters and UPI settle dispute

Reuters America and United Press International have settled all litigation over their news pictures services with no compensation or monetary damages awarded to either company, writes Karen Zagor in New York.

Reuters will supply UPI with foreign news pictures until June 1995, and Reuters will cover the US with its own resources and will not use UPI pictures.

EC ministers fail again to agree on farm reform

By Tim Dickson in Luxembourg

EUROPEAN Community farm ministers yesterday all but admitted defeat in their bid to reach agreement on international farm reform. There were hints last night that the issue may ultimately go to the special summit of heads of government in Rome next weekend.

The failure of the farm ministers' third attempt in less than two weeks – amid clear evidence that the German government has hardened its position against subsidy cuts – plunges the Uruguay Round talks of the General Agreement on Tariffs and Trade into still deeper crisis.

The multinational talks – involving almost 100 nations – are widely seen to hinge on the outcome of the US attempt to win substantial reductions in global farm support.

Washington and the Cairns Group, a bloc of leading agricultural product exporting countries which includes Australia and New Zealand, have called on participants to reduce their internal subsidies by 75 per cent with an even greater cut in so called "export refunds."

The EC, meanwhile, has demonstrated that it is bitterly divided over the European Commission's much more modest plan for an overall 30 per cent cut in support, which includes measures already taken unilaterally since 1986.

The meeting yesterday was marked by hostility to the Brussels plan from Mr Ignaz Kiechle, the Bavarian who as Germany's farm minister has long been a champion of the small farmer.

Strengthened by now unambiguous support from Mr Helmut Kohl, the German Chancellor, he was said by one observer to have been "positively rude" about the proposals of Mr Ray MacSharry, the EC Agriculture Commissioner.

Bonn wants much clearer commitments of compensation for the worst affected producers as well as a watering down of the Brussels text. Several delegations, however, did not disguise their anger at what they see as naked political manoeuvring before the first all-German elections in December.

Mr John Gummer, the UK's farm minister, was particularly incensed. He said that the recourse to "internal political factors" was "a very sad sign for the future" and for those seeking closer political union.

Mr Vito Saccomandi, the Italian farm minister, was resigned in his press conference after the meeting, saying that "with great regret" he had not been able to find either a majority or unanimous opinion. It would now be up to "other fora" - notably EC Foreign Ministers meeting on Monday - to try to find a solution. He also pointed out that farm ministers would have to have another meeting "if they decide differently from what we did today. I have great doubts whether they will".

● William Dullforce adds from Geneva: The 13 farm exporting nations in the Cairns Group warned the EC not to believe that, by delaying the talks, it could force them to accept an inadequate deal on farm reform.

The group would not accept a "quick fix" on the grounds that time was running out before the December deadline, Mr Peter Field, Australia's chief negotiator, said. The group wanted real cuts in internal supports, tariffs, border restrictions and export subsidies.

On Thursday, Mr Felipe Sola, Argentina's farm minister, warned that members of the group would walk away from the Uruguay Round if there was no positive result on agriculture.

Mr Joe O'Mara, US farm negotiator, said governments faced the choice of continuing to let special interests dictate to them or doing what they knew was right and good for the majority.

Like the Cairns Group, the US is asking for reductions of 90 per cent in export subsidies and 75 per cent in other supports to farmers.

Train passengers carry their bags across the frontier from France to Spain at Hendaye, after French drivers angered at the Spanish lorry strike parked their own trucks across the railway line

Lorry blockade brings Citroën lay-offs

CITROEN, the French car maker, is to lay off 15,200 employees in France early next week, because the blockade of the border by striking Spanish lorry drivers has stopped supplies of essential parts from its factories in Spain, George Graham writes from Paris.

Citroën, which together with Peugeot makes up the private-sector PSA group, follows its state-owned competitor, Renault, which earlier this week had to shut down five car assembly plants in France because it was running short of engines and gearboxes produced in its Spanish units.

The lay-offs will affect Citroën's two biggest plants at Rennes, producing the AX, BX and XM models, and Aulnay, producings AXs and 205s. They use electrical circuits, heating components, dashboards and fittings such as ashtrays and armrests which are produced at Vigo in northwestern Spain.

A plant at Asnières, which produces hydraulics for Rennes, will also be affected, even though it does not depend directly on parts from Spain.

The difficulties caused by the Spanish lorry drivers' blockade has highlighted the risks of cross-border parts sourcing, which has been adopted by many car producers, as well as of "just in time" stock control, which leaves manufacturers without reserves of parts.

EC-Efta 'breakthrough' needed

By Lucy Kellaway in Brussels

A POLITICAL breakthrough was needed to get talks moving between the six-country European Free Trade Association and the European Community, Mr Jean-Pierre Delamuraz, the Swiss president, said yesterday.

At a meeting between Mr Delamuraz and Mr Frans Andriessen, the EC external commissioner, it was agreed that all sides should give a fresh impetus to negotiations, if there was to be any chance of agreement on the establishment of an 18-member European Economic Space by the first half of next year.

Mr Andriessen put a brave face on the difficulties facing negotiators. At a joint press conference in Brussels he said it was normal that progress should be "laborious" at this stage of such complicated negotiations.

The fragile state of the Norwegian coalition – which appears set to collapse over the issue of Norway's future relations with the EC – was likely to slow matters still further, both men conceded.

However, both Mr Delamuraz and Mr Andriessen made clear the substantial difference that remains between them on the two central issues: how much influence is to be given to Efta in EC decision-making, and how many exceptions can be made of individual Efta states in compliance with EC rules.

Mr Delamuraz said Efta countries would not accept any deal under which they were "mere satellites in future EC management". Although the EC has yet to present its position formally on this matter, EC commissioners have recently made it clear that Efta could be given no part in making EC decisions.

Mr Andriessen said the EC wanted as few exceptions as possible to be made for compliance with EC rules by Efta countries and said there was no question of granting any permanent exceptions.

Call for Europe medicine agency

By Lucy Kellaway

A EUROPEAN drugs agency that would test medicines for safety was yesterday proposed by the European Commission as part of its plans for a single market in pharmaceuticals.

The agency would smooth out the present tangle created by 12 national drugs bodies. It would evaluate new medicines, intervene to settle differences that arose between regulatory bodies in different member states and help national regulatory bodiesoriginate inspection of drugs.

The commission said that efforts by member states over the last 10 years to harmonise drug authorisation procedures had not had much success.

It said agencies in many countries were unable to cope with the increasing complexity of the drugs and with the necessity of giving consumers adequate protection.

The agency has been criticised by Europe's £25bn pharmaceutical industry on the grounds that it would not have enough resources to operate efficiently.

However, officials said yesterday that the resources of the new body, which would include the two existing EC drug committees, would be "substantial."

Andreotti and Thatcher to discuss locations

By John Wyles in Rome

MR Giulio Andreotti, the Italian prime minister, flies to London for lunch today apparently intent on laying before Mrs Margaret Thatcher proposals aimed at settling controversies over the location of European Community institutions.

The encounter – after consultations in Venice yesterday with Chancellor Helmut Kohl of Germany – is part of Mr Andreotti's preparations for the European Council heads of government meeting in Rome next weekend. A past master at the art of dividing spoils, the Italian leader may well seek a summit agreement on the issue which he has made very much his own.

The EC has never made a formal decision on the location of its institutions and the Italian hope is that this can be wrapped up before the two inter-governmental conferences on political and monetary union in Rome in December.

Possibly the most controversial aspect of Mr Andreotti's plan is that the European Parliament should remain in Strasbourg, in spite of the desire of most of its members to decide the matter for themselves and to move more of their activities to Brussels.

The Italian idea is to move the parliament's secretariat from Luxembourg to Brussels, but argue that it is not worth trying to overcome French resistance to uprooting the parliament itself.

Rome also believes that Strasbourg remains appropriate because the Council of Europe already meets in the same building and so could any assembly which is born of the Conference on Security and Co-operation in Europe process.

This could conveniently leave Mr Andreotti free to argue the case that perhaps Milan should host the European Central Bank which is due to be created during the economic and monetary union process.

Right: Andreotti – consultations with Kohl and Thatcher

Athens aims for ERM

By Kerin Hope in Athens

GREECE hopes to enter the exchange rate mechanism of the European Monetary System early in 1992, when its inflation rate should have come down to about 10 per cent, according to the acting economy minister, Mr Efthymios Christodoulou.

Mr Christodoulou said that under an economic austerity plan now being prepared by the conservative government, the 22 per cent inflation rate would fall swiftly "to 15 per cent by the end of 1991 and then to just under the present British level early in 1992, enabling the drachma to join the ERM."

Now that Greece and Portugal are the only EC countries left outside the ERM, Greek planners are increasingly anxious about closing the economic gap with the rest of the European Community.

The 1991 budget is being fine-tuned in consultation with EC experts with the aim of eliminating primary deficit growth, while the austerity programme is designed to reduce the public sector borrowing requirement from 17.8 per cent of gross national product this year to 5 per cent in 1993.

Mr Christodoulou said that despite increased costs for oil imports, this year's current account deficit would be held to "round about $3bn", up from $2.8bn in 1989.

WITNESS FAILS TO LINK MILKEN TO SPECIFIC CRIMINAL ACTIVITY

Court hears of clandestine collection of Drexel account records

By Nikki Tait in New York

A FORMER employee of the high-yield department of Drexel Burnham Lambert yesterday described the clandestine manner in which records of a major trading account between the now-defunct investment bank and Solomon Asset Management were collected up by senior employees in late 1986.

But he failed to link Mr Michael Milken, who built and ran the department, to any specific criminal activity.

The revelations came in a Manhattan court hearing related to the sentencing of Mr Milken. The former "junk bond king" has already pleaded guilty to six offences related to securities law violations, and agreed to pay $600m (£304.5m) in fines and restitution.

However, the government has alleged these crimes were part of a broader pattern of wrong-doing and the judge has permitted a brief hearing, to give her a better "sense of Mr Milken's character".

The hearing centres on three of the government's allegations. The second concerns the sale by Drexel of preferred stock which was being issued to fund a leveraged buy-out of Storer Communications in 1985. The government has alleged that Drexel offered fund managers personal inducements to take the stock, which various witnesses have testified proved difficult to sell.

Yesterday, Mr Cerren Pizer, who worked in the high-yield department and covered an account with Mr David Solomon, a fund manager and big Drexel client, said he was asked by Mr Milken to ask Mr Solomon whether the fund manager would buy the stock – which he had previously turned down – if equity warrants were available as part of the package. Mr Solomon agreed. The equity warrants, however, ended up in a personal, non-client partnership.

But, pressed by Mr Milken's lawyers, Mr Pizer said he had not construed this as a bribe. He said he had not given any thought to what Mr Solomon might do with the warrants.

Mr Pizer did recount, however, that in the wake of the news later that year that Mr Ivan Boesky – the convicted insider trader – was co-operating with the government, he was asked by Mr Milken to turn over a ledger recording moneys owed between Drexel and Solomon to Ms Lorraine Spurge, a more senior Drexel employee. He said this was done next to a sink in the kitchenette, with the taps running. "Everyone was talking around running faucets," commented Mr Pizer.

Moro's ghost haunts Italian politicians

John Wyles reports on newly-discovered writings by the murdered prime minister

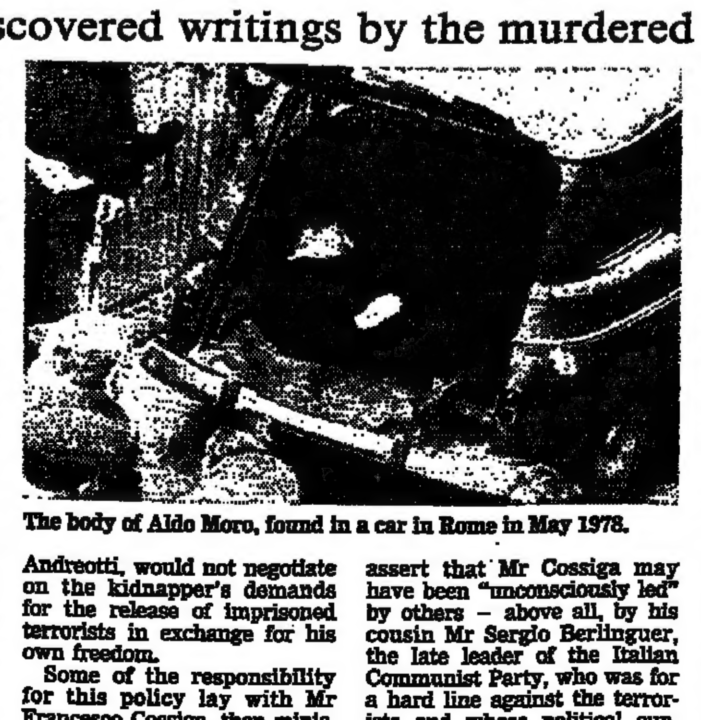
TEN days ago it became known that a builder renovating an apartment in Milan had discovered a false wall behind a cupboard. The contents of this secret hiding place were no fewer than 419 handwritten pages penned by the former Italian prime minister, Mr Aldo Moro, during the 54 days he was held in captivity before his murder by Red Brigades terrorists in May 1978.

Much of the material had already been discovered in typewritten form during the police investigations into the kidnapping, which eventually brought the murderers to justice. Mr Moro's jailers presented him with detailed questions about people, policies and institutions during his political lifetime and his written replies were then scrupulously typed up.

Unlike other intrigues, disasters and murders which periodically torment Italy, the Moro kidnapping appears to have been successfully investigated and the guilty punished. However, since the apartment in Via Monte Nevoso was a known Red Brigades hide-out and was closely searched 12 years ago, much of Italy was asking yesterday whether the pages had really been discovered for the first time, or whether some one had planned that they should come to light now. Most of them are photocopies and the fate of the originals is still unknown.

"There is a mystery and it must be resolved," said Mr Giulio Andreotti, the prime minister, in an interview published by La Repubblica yesterday.

The new material for the Moro archive re-evokes what was a national trauma and offers some embarrassing revelations about the financing of the Christian Democrat (DC) party. There are a number of sad and increasingly anguished letters to members of his family – who have strongly opposed their publication. Many reveal Mr Moro's incredulity that the government of the day, headed then by Mr Andreotti, would not negotiate on the kidnapper's demands for the release of imprisoned terrorists in exchange for his own freedom.



The body of Aldo Moro, found in a car in Rome in May 1978.

Some of the responsibility for this policy lay with Mr Francesco Cossiga, then minister of the interior and now president. Mr Moro's writings assert that Mr Cossiga may have been "unconsciously led" by others – above all, by his cousin Mr Sergio Berlinguer, the late leader of the Italian Communist Party, who was for a hard line against the terrorists and whose political support was vital for sustaining the Andreotti government, a minority administration comprising only the Christian Democrat party. Mr Cossiga, wrote Mr Moro, had been "hypnotised" by his Communist cousin and fellow Sardinian.

Informing his jailers about DC financing, Mr Moro wrote disapprovingly of the funds received from the US "for a certain number of years". Initially, Confindustria, the Italian industrialists' organisation, had also been an important source of money, and then building companies, "innumerable local businesses", and banks which had been "left for years" without qualified management and had allowed the party to build up debts which would never be repaid.

Finally, there were the contracts and orders placed by government which earned their rewards for the DC. Standards were still declining, wrote Mr Moro, because "the young people" were "more indulgent about these things". Many of these young people are now in positions of power and influence throughout Italy.

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INTERNATIONAL NEWS

Hurd rules out Gulf compromise

By Kerin Hope in Athens

MR Douglas Hurd, the British foreign secretary, said in Athens yesterday that he believed there was no room for compromise in resolving the Gulf crisis.

Winding up his Middle East visit, Mr Hurd said the military presence was essential to "piling up peaceful pressure" on Iraqi President Saddam Hussein to withdraw from Kuwait.

Mr Hurd declined to comment on the consequences of his diplomatic setback in Jerusalem this week, but struck a philosophical note, saying "criticism and praise for politicians come in roughly equal proportions."

Hungary to send volunteers

Hungary will send military medical volunteers to Saudi Arabia to support the US-led operation to force Iraq's withdrawal from Kuwait, Mr Jozsef Antall, the Hungarian prime minister, said yesterday, Lionel Barber reports from Washington.

The move reinforces Hungary's claim to be the east European country most responsive to US requests for support for Operation Desert Shield, Mr Antall suggested.

Bush pledges to 'stay the course'

By Lionel Barber in Washington and Leyla Boulton in Moscow

PRESIDENT Bush yesterday pledged that the US would "stay the course" in the Gulf and ruled out a partial solution which stopped short of Iraq's unconditional withdrawal from Kuwait.

Mr Bush said: "I am as determined as I was the day the first troops left, that Saddam Hussein's aggression not be rewarded by some compromise, not be rewarded by failing to get him totally out of Kuwait or restore the legitimate rulers . . . The bottom line is that he can't prevail."

Mr Bush's remarks came shortly before he met Mr Yevgeny Primakov, the senior Soviet envoy who has been exploring a diplomatic solution to the crisis. Mr Primakov, who met Mr Saddam on October 5, denied reports he was carrying a message on behalf of the Iraqi leader. "I am not a messenger," he told reporters.

However, the high-level treatment extended to Mr Primakov during his visit to Washington suggested he was bearing some kind of message, either from the Iraqi leader or from President Gorbachev.

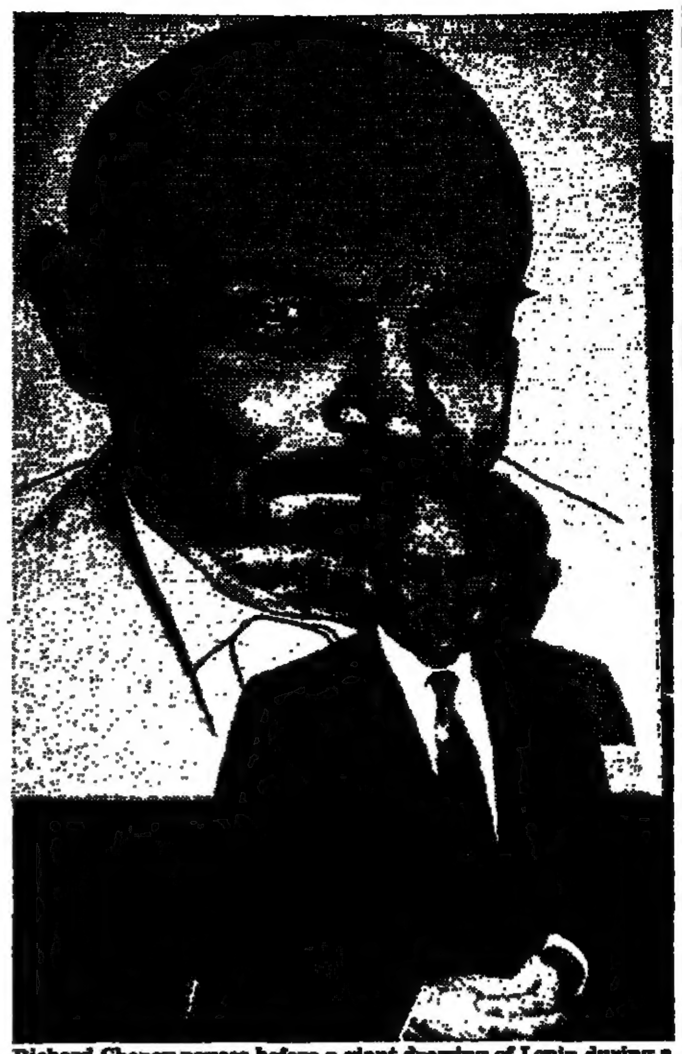
There has been speculation throughout the week that Mr Primakov might be carrying new proposals aimed at defusing the crisis. The administration has conceded that Iraq has hinted vaguely that it might be prepared to pull out of Kuwait in exchange for keeping several strategic islands in the Gulf and a discussion of other grievances against Kuwait.

Mr Primakov, who earlier held talks in Rome and Paris, made clear that Moscow wants to explore ways to avoid a military solution to the crisis.

Yesterday in Moscow Mr Richard Cheney, the US defence secretary, and his Soviet counterpart, Marshal Dimitry Yazov, went out of their way to agree that a political solution to the Gulf crisis was still possible. Mr Cheney, completing a four-day visit to the Soviet Union, denied suggestions that he had given up hopes of a peaceful settlement.

Marshal Yazov commented: "The question is whether the opportunities for a political solution are narrowing down. I don't think that is the case . . . If we succeed in resolving the crisis politically, it will serve as a warning to all those who try to break the peace in future."

Another potential line of communication with Baghdad was due to be explored over the weekend by Mr Edward Heath, the former British prime minister. Mr Heath said as he left yesterday from London for Amman and Baghdad in an attempt to secure the release of sick and elderly British hostages that a meeting with Mr Saddam had been confirmed after a postponement last week.



Richard Cheney pauses before a giant drawing of Lenin during a visit to Moscow's Mig-29 aircraft factory yesterday

Iraq rations petrol as oil prices continue to fall

By Steven Butler

WORLD oil prices declined again yesterday after Mr Taha Yassin Ramadan, the Iraqi deputy prime minister, said the world was searching for a peaceful solution.

His comments came as Iraq rationed petrol in order to eke out supplies of essential petrol additives.

Brent crude has now fallen by about $7 this week to about $33 a barrel as the "war premium" has steadily come out of the price.

The fall in prices also reflects the abundant supplies of crude oil as production increases by members of the Organisation of Petroleum Exporting Countries have begun to reach markets. Stocks going into the winter are generally felt to be adequate, although any rise in tension in the Gulf is likely to push prices up again rapidly.

Iraq's move to ration petrol is in one of the first signs that the UN blockade is affecting its economy. Mr Issam Abdul-Rahim al-Chalabi, the Iraqi oil minister, said rationing was introduced in order to stretch out stocks of additives and chemicals needed for petrol and lubricants.

He said that Iraqi oil production had fallen to between 350,000 and 400,000 barrels a day, compared to more than 3m b/d before Iraq's invasion of Kuwait. This met domestic requirements.

In London, Mr Vladimir Arutunian, chairman of Sojuzneftexport, the Soviet oil export agency, said that Soviet oil exports this year would decline by 15 to 20 per cent to about 125m tonnes of crude oil and refined products. He said Soviet oil production this year likely average just over 11.6m b/d, compared to over 12m b/d last year.

He said that the Soviet Union needed to maintain production at above 11.5m b/d in order to avoid serious economic problems, but that this would require huge investment.

Massacre of Aoun's men denied

By Lara Marlowe in Beirut

LEBANON'S defence ministry yesterday denied allegations that advancing Syrian troops had shot in cold blood scores of captured soldiers loyal to General Michel Aoun last weekend.

Earlier, the French foreign ministry demanded a United Nations inquiry into the deaths of the Lebanese troops.

The Lebanese defence ministry said in its communiqué that the men, whose mutilated bodies were seen in a mortuary, "fell in combat."

Mr Albert Mansour, the defence minister, blamed the rebel Christian Lebanese general, claiming that he gave a secret "counter-order" to his troops to continue fighting after he sought refuge in the French embassy and surrendered.

Military sources in Beirut said the Syrians "went crazy" when they sustained heavy casualties east of Baabda after the surrender order.

The discovery of scores of half-naked corpses, many shot in the head at close range and with apparent rope marks on their wrists, is an embarrassment to the pro-Syrian government of President Elias Hrawi, which sought Syrian help in ousting Gen Aoun.

Reuter adds: The family of Gen Aoun, and several aides, yesterday prepared to fly to Paris.

Tokyo stocks see return of confidence

By Robert Thomson in Tokyo

THE Tokyo stock market yesterday celebrated the third anniversary of Black Monday with a record turnover for the year and a sharp rise in the market index as the renewed strength of the yen brought back some of the old buying confidence.

A week ago, market analysts were predicting that only a peaceful solution to the Kuwait crisis would push the Nikkei average beyond 24,000, but yesterday the reinvigorated Tokyo market leapt past 25,000 before profit-taking left it at 24,481.49, up 0.47 per cent on the day and 9.8 per cent on the week. Markets in Hong Kong, Singapore and Taiwan also closed higher in healthy volume.

Tokyo has had a tough year, and the selling in the afternoon reflected the caution that investors have learned through experience. There are lingering doubts about the momentum of the present surge, in spite of five consecutive rises.

The year has been marked by sluggish turnovers, often between 300m and 400m shares, but turnover yesterday was 1.1bn shares, with strong buying in the morning and selling in the afternoon.

● Japan's money supply grew 12 per cent in the year to the end of September, up slightly from a month earlier, but within the range predicted by the Bank of Japan.

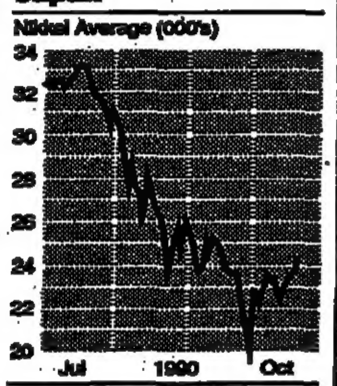
The central bank, concerned about the potential for a rise in inflation, yesterday expressed confidence that money supply growth would fall over the final quarter. It said the rate of increase was above the 11.9 per cent in August because of a flow of funds out of investment trusts and other securities-related investment products into deposit accounts.

But a bank official said demand for funds was strong and the institution was determined to ensure the rate met the prediction of 11 per cent annual growth over the final quarter. The bank regards 11 per cent as still too high, and hopes that the rate will fall below 10 per cent early next year.

Japanese banks are expected to restrict lending to raise their capital-to-asset ratios to meet the requirements of the Bank for International Settlements (BIS), although the surge in the yen's value and stronger Japanese stock prices could encourage them to increase lending.

Japan

Nikkei Average (000's)



World stock markets, Page 18

Chile halts cluster bomb sales to Ethiopia

By Leslie Crawford in Santiago

MR Carlos Cardoen, the Chilean arms manufacturer, has been forced to suspend the sale of cluster bombs to Ethiopia after pressure from Chile's new democratic government and Cardoen's Arab customers.

Mr Patricio Aylwin, Chile's president, has been embarrassed by the sale, which has exposed his government's lack of clear guidelines for arms exports.

Chilean arms exports have long been a secretive affair. Asked about its guidelines, Chile's defence ministry was unable to say what its past or present policy was. The foreign ministry said it had only a consultative role in these matters.

However, the defence ministry acknowledged that the sale to Ethiopia of up to 1,680 Cardoen cluster bombs had been authorised in September 1989 when Gen Augusto Pinochet was still in power. Monthly deliveries had been allowed to continue after Chile's civilian government took office in March, but the authorisation was terminated last month.

Industrias Cardoen, Mr Cardoen's arms manufacturing division, said that by September 1990, only 381 bombs had been sent to Addis Ababa. The company said sales were halted "by mutual agreement" with the Ethiopian government, but defence analysts in Santiago believe the deal was hurting Industrias Cardoen's relations with Iraq, its main customer, and Baghdad's allies.

The sale offended the Iraqis because it is believed to have been indirectly financed by Israel. Israel has sharply boosted its military support for Ethiopia's beleaguered Marxist regime since restoring diplomatic relations in November last year. This is in an attempt to block the possible creation of a new Arab state of Eritrea along the Red Sea if Eritrean rebels triumph in their fight against official Ethiopian forces.

Industrias Cardoen's exports to Ethiopia raise a question mark over the company's claims that it is scaling down its defence interests to concentrate on civil and industrial engineering.

Mr Ismael Vicuña, Industria's Cardoen's general manager, admitted this week that a plant the company had been building in Iraq was for the manufacture of electronic bomb fuses.

The company had previously described the project as "a multi-purpose engineering plant of high precision, robot-controlled industrial lathes." According to Industria Cardoen, construction was halted in August because of the UN commercial embargo against Iraq.

UK NEWS

THE EASTBOURNE BY-ELECTION

Tories and Labour united in their misery

THE Liberal Democrats' spectacular success in the Eastbourne by-election was disastrous for the government. It might turn out only slightly less bad for the Labour Party.

As ministers and their Labour shadows sought yesterday to assess Mr Paddy Ashdown's first by-election victory of the present parliament, they came to one common conclusion. Talk of a general election next June – always more a reflection of wishful thinking among some Tory MPs than a realistic forecast – should now evaporate.

Ministers believe inflation and mortgage rates may fall just fast and far enough to allow Mrs Margaret Thatcher to go to the country in late September or October. But it is no longer only the incurable pessimists in the cabinet who think 1992 is as likely.

With suitably brave faces, ministers were drawing parallels yesterday with the Ryedale by-election in the last parliament. A sweeping Alliance victory then was followed by the government's equally convincing recovery in the 1987 general election. The lesson was that a divided opposition would provide the foundations for a Tory victory.

For Labour the most attractive comparison was with Orpington in 1962. Then the Liberals overturned the Tories in a by-election which in retrospect marked the end of the Macmillan government. But it was the Labour Party which reaped the reward two years later.

The odds are that neither sequence will be repeated exactly. But a snapshot of the mood running below the public bravado yesterday suggests that it is the Conservatives who are more worried.

The by-election result capped a disastrous spell for the government. Just two weeks ago it was basking in the afterglow of the one-point cut in interest rates which accompanied sterling's entry into the EMS exchange rate mechanism.

The honeymoon was one of the shortest on record. It was followed by a party conference which senior ministers acknowledged was lacklustre and ragged. Rows over public spending, over Mr Edward Heath's visit to Iraq, and over Mrs Thatcher's preference for education vouchers, have added to the impression that the government has lost touch with the public mood.

It took only days to become clear that participation in the ERM had not healed the deep divisions within Conservative ranks over European integration.

The Gulf crisis may yet come to the government's rescue. But the evidence offered by the assessments of military strategists and by domestic opinion polls suggests that Mrs Thatcher would be foolhardy to rely on a "Falklands factor".

There were some one-off excuses for Eastbourne. Mr Richard Hickmet, the Tory candidate, was judged to have conducted an appalling campaign, misjudging the mood following the murder by the IRA of Mr Ian Gow. The Liberal Democrats had a strong and long-standing base on the local council.

In private at least, ministers were acknowledging that the government was deeply unpopular. High inflation and mortgage rates, the poll tax and the state of the public services were the problem.

On the economy, there is little that they can do but wait and hope, though they can draw some comfort from Mr John Major's prediction that inflation will fall rapidly from next April. On the other issues, there is visible tension between the prime minister and her colleagues. Mrs Thatcher is promising another platform rooted in free-market radicalism. Privatisation, tax cuts, and education vouchers are at the heart of her agenda.

She has yet to persuade many of her colleagues that a promise to roll back further the frontiers of the state will meet the demands of the voters for better schools, hospitals and trains. "People do not want education vouchers. They want better teachers, more books, and buildings that are not falling down," one senior Conservative commented yesterday.

So as work on the manifesto gathers pace, Mrs Thatcher will face growing pressure to acknowledge that the policies which won her three terms in office will not guarantee a fourth. But the real solace for the Conservatives in the Eastbourne result comes not from the hopes that it will persuade her to change tack but in the potential implications for Labour.

The combination of the break-up of the Alliance and Labour's decisive shift to the centre ground had heralded the return of the two-party politics. The Liberal Democrats have rarely been above 10 per cent in the opinion polls. In such circumstances, Mr Neil Kinnock faced an immensely daunting but not impossible task in overturning Mrs Thatcher's majority.

If – and its remains a huge if – Mr Ashdown's success heralds a significant revival for his party, it could turn the difficult for Labour into the hopeless. Psephologists tend to disagree on the precise thresholds. But once the Liberal Democrats' support in a general election approaches 20 per cent or more, Labour's chances of winning seats in the south-east begin to evaporate. It is not until support for the third party heads for 30 per cent that the Conservatives begin to suffer badly.

The Bradford and Bootle by-elections will provide Mr Kinnock with an opportunity to recast Labour in the role of the only realistic alternative to the government. And even the Liberal Democrats are cautious about the outlook.

But Mr Kinnock, like Mrs Thatcher, will be hoping that there are no more Eastbournes before the general election.

Philip Stephens

An Orpington or a Ryedale? David Bellotti's victory has left the Tories and Labour casting about for precedents

Quiet confidence as Bellotti's camp felt the tide turn

AS EARLY as Monday, Mr David Bellotti, the Liberal Democrat's triumphant candidate in Eastbourne, was saying in private that he expected to win.

The day before, 800 party workers had leafleted the entire constituency in just five hours. They uncovered some disgruntlement with the Conservatives; Liberal Democrat policies were selling well.

"The feelings were all there. We had to be very positive," Mr Bellotti explained yesterday. All the party had to do was control the momentum and ensure support peaked at the right time.

However, explaining Thursday night's uprising in Eastbourne is not that simple. Clearly the election-winning machine, perfected by the former Alliance parties in the early 1980s, was back in action. But on the campaign trail there were other factors – beyond the control of the Liberal Democrats' skilled inner-core of party managers – which were working in their favour.

Eastbourne is a conservative, sleepy town, and not natural territory for revolution. Against autumnal skies, the Grand Parade outside the hotels where the two main contenders held their daily press conferences, was largely deserted.

Against that background, it was the Tory campaign – not the Liberal Democrat's – that looked unfamiliar. Mr Richard Hickmet, the Conservative candidate, was brash and abrasive; joined by Jaguar-driving Cabinet ministers and party grandees.

A combination of factors conspired against him. The Conservatives were genuinely scarred emotionally by the IRA's murder of Mr Ian Gow, Eastbourne's former MP.

"It wasn't a political tactic initially; it was how they felt," said Mr Hugh Rowlings, editor of the Eastbourne Herald and Gazette.

When the emotion came to dominate the Tory campaign, however, it breached the bounds of sensitivity.

Mr Hickmet never managed to shrug off the accusations of "emotional blackmail" after leaflets said that anything other than a massive vote for him would be a boost for the terrorists.

Eastbourne was also dissatisfied over the economy, especially the Uniform Business Rate.

Hotel groups have gone into receivership as the tourist trade has stagnated; factory closures and boarded-up guest houses have begun to dominate local news in a normally prosperous part of south-east England.

Unemployment has crept up from 2.6 per cent in June to nearer 3 per cent.

There were also mistakes made. Mr Hickmet, who has family connections with Turkey, managed to offend the Greek community with his stand on North Cyprus.

In contrast, the Liberal Democrat operation was slick, professional and passionate.

Mr Paul Jacobs, the party's agent, was a veteran of the Liberal/Alliance victory in the Brecon and Radnor by-election in 1985 and a master of timing the release of canvass returns for maximum effect.

Campaigning was tailored to local concerns – the state of the health service or bobbies on the beat.

Mr Paddy Ashdown, party leader, excelled by selling the exchange rate mechanism as a form of "neighbourhood watch scheme" for European currencies.

Mr Bellotti knew Eastbourne's tide was running in his favour. What nobody forecast was the scale of his victory.

Ralph Atkins

Ballot blues: voters rejected Tory Richard Hickmet

Talk that three-party politics might be coming back

ONE Liberal Democrat aide joked yesterday, after the victory in a seat which has been Conservative for more than 80 years: "We thought of issuing a statement saying that two-party politics had re-asserted itself in Eastbourne."

The party's first spectacular success since the 1987 general election and since Mr Paddy Ashdown became its leader has awakened echoes at Westminster of the Alliance victories in the last parliament. There is talk that three-party politics might be coming back.

"The beginning of a new phase in British politics," said Mr Ashdown yesterday. Predictably the official line of the other two parties is not to agree. The Tories reject any wider significance in the Eastbourne result on the "one swallow doesn't make a summer" basis, while Labour put their nearly-lost deposit down to tactical anti-Tory voting.

There is much room for scepticism. The third party is in a worse position to capitalise on its success than it was able to do in the previous parliament, as the internal warfare since the Alliance disintegrated in 1987 has taken its toll.

There is also less success to capitalise on. Between 1983 and 1987, there were by-election victories, moral and actual, and a consistently better showing in the opinion polls than the single figures which the Liberal Democrats have been managing recently.

And even the more substantial pre-1987 achievements were lost at the general election that year. Two of the three seats won – Portsmouth South and Ryedale – reverted to the Tories, and the Tory majorities in the other by-election constituencies returned more closely to their traditional levels.

The two major parties have been quick to point out that third-party by-election victories depend on an extraordinary effort which cannot be replicated in a general election.

Liberal Democrats agree that this is "fair comment". A campaign involving three visits from the party leader, and the presence of at least one MP every day, as happened at Eastbourne, will be impossible to repeat across the country.

The party will, however, decide at the turn of the year how to organise so as to run effective campaigns in target seats, such as Hereford, and Sutton and Richmond in London, where Liberal Democrats did well in this year's local elections.

The Liberal Democrats concede also that in Eastbourne they had more credibility than identity. The result owes more to a good, local candidate capable of focusing the anti-Tory vote, than a ringing endorsement of the Liberal Democrat pro-European stance, its tough environmental proposals and its emphasis on constitutional reform.

Nonetheless, it is a significant achievement for Mr Ashdown's efforts to lift his party above the public awareness threshold, and may help it to establish its identity more clearly.

It suggests also, that in some areas, such as the south-west where Labour has little or no presence, renewed credibility could be enough.

These seats help the party to rebut Labour's charge that it enables the Tories to stay in power, rather than being part of defeating them. They are matched, however, by constituencies such as Pendle, Stockport and Bury, where the votes polled by the third-party candidate enabled Tory MPs to fend off a strong Labour challenge.

Perhaps conscious that in those seats, and in areas where the anti-Tory vote was quite evenly divided in 1987, they are likely to lose out to the Labour's current high national standing, the Liberal Democrats are emphasising that theirs is a long-term strategy.

Ultimately the local election results, and the first outward-looking party conference since the Alliance broke up, would seem more significant than the by-election, one commented.

The importance of the conference was highlighted last month by one senior Liberal Democrat, who said that although the party was still not able to take the initiative, it could at least take any opportunity – like Eastbourne – that came its way.

Alison Smith

The Liberal Democrats' by-election triumph at Eastbourne does not quite compare as an act of giant killing with the Liberals' historic Orpington victory in 1962, writes Ivo Dawnay, Political Correspondent.

Then, Mr Eric Lubbock transformed a Conservative majority of 14,760 into a majority for his party of 7,855. But in terms of sheer votes, it was the Liberals' result at Sutton and Cheam a decade later that proved to be the most sensational of the party's apple-cart turning exercises.

Under the guidance of Mr (now Sir) Trevor Jones - thereafter dubbed "Jones the Vote" – Mr Graham Tope came from third place to transform a commanding Tory majority of 24,000 into a Liberal seat with 8,000 votes to spare.

The list of lesser Liberal, SDP and Alliance victories is a long one with 15 gains – the most recent at Ryedale – recorded since Mr Lubbock's Liberal revival was celebrated. That each was reported as something of a phenomenon begs as many questions of the pundits as of the electors.

Of those that changed hands between 1962 and the last election, one has disappeared in boundary changes, eight have reverted to their old parties and five remain in "third party" hands.

More eligible for cheaper electricity

By David Thomas, Resources Editor

THE NUMBER of customers eligible for cheaper electricity was increased yesterday by Professor Stephen Littlechild, director general of the Office of Electricity Regulation, the industry's regulator.

His decision is one of the first indicating his attitude to the regulatory regime which will govern the electricity industry after privatisation.

Under the present rules, only premises with a maximum demand of more than 1 MW are allowed to shop around for competitive electricity supplies. Premises above this limit have had their bills cut by up to 20 per cent this year as a result.

Prof Littlechild yesterday widened the number of customers eligible for these competitive supplies by ruling on one of the many disputes which have occurred about how to interpet the new rules.

The regulator decided that two hospitals and a nurses' home on a single site in York could aggregate their electricity demand. This will take them above the 1 MW limit and allow them to switch their electricity demand to a supplier offering cheaper electricity.

Mr Charles Ryder, chairman of the Major Energy Users Council, representing 160 large electricity consumers, welcomed the ruling as very significant. But he said most disputes had occurred where a customer had sites separated by a public road – not a feature of the York case.

Prof Littlechild said that separation by a public road might rule out two buildings from aggregating their demand, but it need not do so in every case.

SFO chief rejects fraud case fears

By Raymond Hughes and Robert Rice

THE DIRECTOR of the Serious Fraud Office yesterday rejected the suggestion that lawyers, accountants, or professional advisers could "accidentally" find themselves in the dock facing criminal charges.

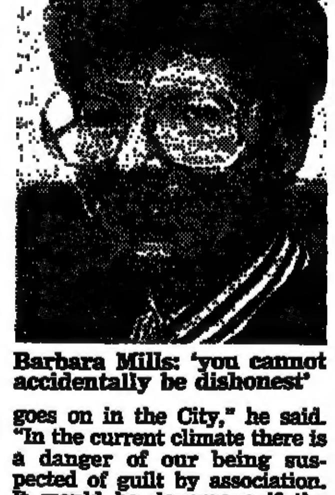
Mrs Barbara Mills QC, told the Law Society conference in Glasgow that in such cases the prosecution had to prove not only the criminal act but also criminal intent.

In the context of serious fraud – market rigging, offences against the Prevention of Fraud (Investments) Act, false accounting, mortgage frauds, procuring the execution of a valuable security, and theft – that almost invariably involved proving dishonesty.

"You cannot accidentally be dishonest – this is a conscious and deliberate state of mind."

Mr Colin Joseph, of City solicitors D.J. Freeman & Co, suggested that Mrs Mills dismissed too lightly lawyers' growing concern at the serious risk of their becoming victims of the fight against fraud.

"We lawyers are part of what goes on in the City," he said. "In the current climate there is a danger of our being suspected of guilt by association. It would be dangerous if the prosecuting authorities were to fall into the trap of this line of thinking."



Barbara Mills: 'you cannot accidentally be dishonest'

He complained that investigations by inspectors appointed by the Department of Trade and Industry were increasingly conducted in a way detrimental to the rights of anybody charged as a result of the investigation.

Mr Joseph said that solicitors who were too worried about the risk of being in the firing line themselves would be unable to do a proper job for their clients.

Those deals could not take place without the advice of lawyers and other professionals and that put a tremendous added responsibility upon those professionals to ensure that their advice was correct.

Mr Joseph asked if a client was motivated by some criminal intent in carrying out complex transactions, whether his solicitor could also find himself in the dock for enabling the transactions to be implemented.

Answering "unfair" criticism of the SFO for being slow in getting cases to court, Mrs Mills said critics often did not understand the amount of investigation needed before a big fraud could be prosecuted.

She drew attention to her powers under the 1987 Criminal Justice Act to require witnesses to come to the SFO to answer questions. Saying that she would not want to use those powers against willing witnesses, Mrs Mills warned that she would do so if a case was being unfairly delayed because a key witness's statement was "going backwards and forwards for drafting and redrafting."

● Lord Tombs, the chairman of Rolls-Royce, attacked the notion of the victimless white collar crime.

He said that the defence of insider dealing on the grounds that it was victimless and made for a more satisfactory securities market was naive and untenable.

The suggestion that dealing without inside information was "pure gambling" was nonsense, he said.

The operation of the market depended on individual judgments being made without privileged information.

NatWest switches advertising account

By Alice Rawsthorn

BARTLE BOGLE Hegarty, the London advertising agency, yesterday won the £25m advertising account for the National Westminster Bank.

In the past, NatWest's advertising has been handled by two agencies: J. Walter Thompson, part of the WPP Group, and Collett Dickenson Pearce, a privately-owned agency. But this year NatWest decided to channel all its expenditure through a single agency.

BBH, which is privately owned, won the account in competition against JWT, CDP and Saatchi & Saatchi. The agency will also take over NatWest's media buying, previously handled by JWT.

The agency's first campaign for NatWest will be unveiled early next year. Mr Simon Sherwood, managing director, said BBH had devised a "consistent and cohesive" strategy which would run across all NatWest's advertising.

The NatWest account is a coup for BBH, which was the smallest of the four agencies competing for the business. The agency, still best known for its campaigns for Levi jeans, has been trying to outgrow its reputation as a trendy, creative agency.

Since the start of this year it has won a number of accounts from blue chip advertisers – adding Shell to its client list. The agency has also won new business from existing clients including Unilever and Cadbury Schweppes.

The loss of the NatWest account will be a particular blow for JWT, which handled the bulk of the advertising – worth around £18m – as well as all the media buying.

However, the account loss did not affect the shares of WPP, JWT's parent company. WPP's shares have risen steeply for the past two days on the news that its international advertising agencies – Ogilvy & Mather and JWT – have won \$140m (£71.5m) of new business from Kraft General Foods.

WPP's shares, which have fallen in recent months because of concern about its debt, rose by 24p to 419p yesterday.

NEWS IN BRIEF

Exhibitions manager quits at Ford

ANOTHER senior Ford of Britain manager has resigned suddenly, writes John Griffiths. The move comes a week after the abrupt departure of Mr Roger Humm, managing director. Ford said yesterday that Mr Vince Saward, exhibitions manager, had left. As head of Ford's UK exhibitions operations Mr Saward reported to Mr Humm. Ford said last week that Mr Humm, 53, was to resign at the end of the year but had been granted leave of absence until then.

EC commitment

THE government's approach to European unity was defended yesterday by Mr Francis Maude, financial secretary to the Treasury. He said at a conference in Cardiff that "the spirit of Bruges is alive and vigorous" within the government which had a "deep commitment" to the EC.

The prime minister "did not dream of a cosy and isolationist existence for Britain on the fringe of Europe," he said. Britain has a deep commitment to the Community but acknowledged it must always remain open to the outside world.

Aid for companies

UP TO £30m a year extra in technical aid for small companies has been promised by the government. The Department of Trade and Industry plans three new schemes for helping small and medium-sized enterprises, Mr Douglas Hogg, industry minister, told the Association of Independent Research and Technology Organisations.

UK NEWS

IBA criticised by former chief over impartiality

By Raymond Snoddy

LORD Thomson of Monifieth, former chairman of the Independent Broadcasting Authority, yesterday criticised the authority's decision that the latest government amendment about impartiality to the Broadcasting Bill was "workable".

"I think it is a profoundly mistaken decision," Lord Thomson said. "There is so much ambiguity it will lead to a very great deal of litigation."

He will lead opposition peers against the impartiality amendment when it is debated during the report stage of the bill in the Lords on Monday.

They will not, however, argue about the merits of the new amendment but instead oppose the principle of an amendment setting out in detail what should be included in a code of impartiality to be drawn up by the Independent Television Commission, the IBA's successor.

"The government's changes are in a positive direction but they really are quite insufficient," Lord Thomson said. "If you're going into the wrong direction, a quarter step backwards doesn't help much."

Lawyers have raised doubts about the practicality of an amendment which requires the commission "to take account of" preserving due impartiality on "major matters". Other more detailed stipulations on impartiality will apply "to the extent that the commission considers appropriate."

Professor John Finnis, professor of law and legal philosophy at Oxford University, said in an opinion for the ITV Association that due impartiality on "major matters" was "elusive in meaning and pregnant with ambiguity."

Any such uncertainty created the live possibility of legal challenge. It was one thing, Prof Finnis said, to trust the commission to draw up a code, quite another to require it to do so "under the threat of litigation based on inherently ambiguous concepts inappropriately given full and direct statutory force".

Mr Christopher Beaumont, in an opinion for Independent Television News, said that in potential disputes over what constituted "major matters" there could be a risk of the courts being asked to rule on the criteria used by editors in compiling their programmes.

Mr Michael Grade, chief executive of Channel 4, warned that broadcasters could be in and out of the courts for the next 20 years trying to establish what the amendment actually meant.

Mr John Birt, deputy director general of the BBC, said the corporation's position remains "that it is wrong in principle for the government to legislate in detail on impartiality".

Minister sees benefit in German unification

By John Mason

THE COST to Britain of integrating the former German Democratic Republic into the European Community is expected to be small and should be offset by increased trading opportunities, Mr Tristan Garel-Jones, a foreign office minister, said yesterday.

Government estimates showed the net cost to the UK through the community budget would be nil in 1990 and about £32m in 1991, he told the Commons.

The European Commission had estimated integration would cost the community Ecu500m (£346m) in 1991, rising to Ecu1bn in 1992. However, government had estimated the costs to be Ecu650m in 1991 and Ecu1.2bn in 1992, he said.

In a Commons debate on EC/GDR integration, Mr Garel-Jones said unification would add 16m customers to the single market.

"It is vital we do not leave these new investment opportunities for others," he said.

The commission had agreed to temporarily waive EC rules during the transition to integration, but these should not cause distortions to UK markets, Mr Garel-Jones said.

Mr George Robertson, a Labour foreign affairs spokesman, said the former GDR had emerged from communist rule an "economic basket case" which needed the support of other EC member states.

However, the unified Germany would eventually emerge as an increased economic power capable of threatening the "enfeebled" UK economy.

It was up to Britain to respond to that challenge, he said.

However, he warned that the prime minister's "hooligan diplomacy" over German unification had endangered Britain's relations with its most important partner in the EC.

Bank appoints chief economist

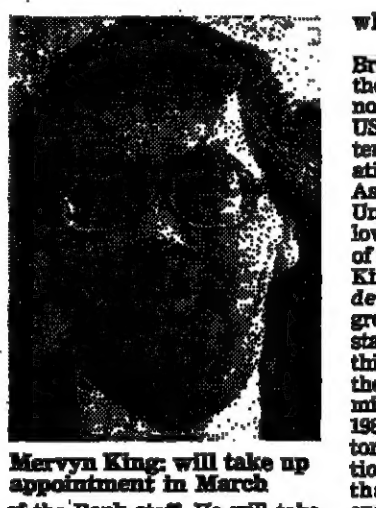
By Peter Norman, Economics Correspondent

A PROFESSOR of economics has been appointed by the Bank of England to be its chief economist and an executive director from March next year.

Professor Mervyn King, 42, of the London School of Economics, will succeed Mr John Flemming. Mr Flemming is leaving the Bank to become chief economist of the European Bank for Reconstruction and Development, the multinational institution set up to help the fledgling democracies of eastern Europe develop free market economies.

Prof King has been a Bank of England non-executive director and member of its Court – policy-determining body – since March this year. In his new role he will take charge of the Bank's economics, financial statistics and information divisions with an overall staff of 215 people.

However, Prof King will not become a permanent member of the Bank staff. He will take unpaid leave for three years from the LSE where he will continue to be a member of the steering committee of the LSE financial markets group, of which he is co-director.



Mervyn King: will take up appointment in March

Prof King is one of the few British academics to straddle the worlds of finance and economics. He has taught in the US as well as Britain and written extensively on finance, taxation and corporate behaviour. As a visiting fellow at Harvard University and Senior Olin Fellow at the US National Bureau of Economic Research, Prof King is researching into the determinants of economic growth and the importance of stable tax systems in bringing this about. He is a member of the City Capital Markets Committee, and between 1987 and 1989 was an independent director of the Securities Association, the self-regulating body that supervises UK stock exchange activities.

Yesterday Prof King said: "It is a great honour to be offered this position and I am very much looking forward to joining the team at the Bank."

MacGregor gets back to basics

Norma Cohen reports on the tests seven-year-olds should expect

WHAT is the date of the next Friday after Friday May 8? Such is a typical question to be asked of seven-year-olds under the new standardised tests to be administered nationally.

More advanced seven-year-olds will be asked the price of four calculators purchased at £2.45 apiece or to figure out how many items costing £4 each you can buy for £19.

In this way, the government hopes to monitor the progress of children being taught the national curriculum in maths and measure whether it is raising educational standards.

Such tests go to the heart of the national curriculum because, without them, there is no way of knowing whether the mandated material is being taught properly and whether necessary skills are absorbed.

They will serve a kind of auditing function for a government anxious to see that its reforms are being carried out by teachers who it believes are suspicious of its intentions.

Therefore, Mr John MacGregor's decision – at the urging of the government's own independent advisory body – to scale down the range of knowledge tested at the age of seven, represents a significant retraction of its original purpose. But the education secretary insists that the new scaled-down tests measure "basics", the kind of skills parents care about most.

After realising that the tests initially planned for seven-year-olds would take half the summer term to carry out, the Schools Examination and Advisory Council set about redrafting their design. Also, SEAC decided that the ability to read must be tested separately.

Mr Philip Halsey, chairman of SEAC, said the body made its recommendation on separate reading tests before the latest controversy over charges that seven-year-olds' reading ability had declined markedly in the past five years.

At seven, children must be able to read with some independence, fluency, accuracy and comprehension. More advanced children will be tested on their ability to read with expression as well.

One significant shift in the revised tests has been the extent to which teachers will have discretion over what children shall be tested on – a move sought by all the main teaching unions.

Mr Doug McAvoy, general secretary of the National Union of Teachers gave the move a cautious welcome, saying: "We are glad to see that the government has shifted the balance towards teacher assessment rather than simply relying on these national tests."

While seven-year-olds will be tested on four English attainment targets, they will only be tested on two basic maths targets, with teachers allowed to select one additional attainment target for testing out of a choice of three. In science, teachers will only be required to test children on the first attainment target and then on one of three.

Teachers will also be able to assess a child's skills level before testing. A teacher can thus decide that a child is advanced and sholud skip tests designed for slower learners. Overall, the additional teacher assessments mean that fewer tests will be administered to each child.

Meanwhile, the categories of science testing correspond roughly to the three basic sciences. Teachers will have a choice of testing knowledge of processes of life, human influences on the planet or types and uses of materials. The human influences test will examine knowledge of how human activities produce a wide range of environmental problems.

Letters, Page 7

Subsidence claims likely to raise insurance premiums

By Richard Lapper

INSURANCE claims for subsidence are likely to be much higher this year than last, UK insurers said yesterday. They said an increase in house insurance premiums was likely next year as a result.

The UK's largest building insurers, Royal Insurance and Sun Alliance, yesterday acknowledged that rate increases from present levels of about £2 per £1,000 insured were expected.

Sun Alliance, which handles about 17 per cent of UK building insurance, said: "There is every indication that the number of claims (from subsidence) will exceed that for 1989. If this proves to be the case, premium rates will certainly be increased in 1991."

Royal Insurance, which has a market share of about 15 per cent, estimates that total claims for subsidence in 1990 could amount to at least £100m compared to £60m in 1989.

"The possibility of an increase is now much greater than before," Royal Insurance said. "People are paying out more in claims than they are receiving in premiums. This can't go on for ever."

Analysts believe the trend is marketwide and estimate total losses could be £800m compared to £400m in 1989.

Storm damage in January and February caused insurers losses of over £2bn, but reinsurers paid most of it. Insurers will be unable to claim reinsurance for subsidence claims because these do not stem from a single catastrophic event.

Royal said it had noted an increase in the average size of claims, from about £6,000 last year to £10,000 this year, and in the number of claims.

This year's exceptionally dry summer, following a dry winter and the dry summer of 1989, has pushed down the level of the water table so that builders have had to dig deeper to carry out repair work, thus pushing up costs.

Losses have been concentrated in the clay belt of the south-east where property values are highest. Royal said that insurers could charge these house-owners more, by introducing zoning.

EMPLOYMENT

MSF executive rejects Gill's advice on election

By Michael Smith, Labour Correspondent

THE EXECUTIVE of the MSF general technical union yesterday rejected the advice of Mr Ken Gill, its general secretary, and voted to hold an election for his successor in the first part of next year.

The decision has significant implications for the future direction of MSF, which is the furthest left of any large union. It is likely to boost the election chances of Mr Roger Lyons, an assistant general secretary whose views are more closely aligned to the leadership of the Labour Party than those of Mr Gill.

While Mr Lyons would be a clear frontrunner for the centre left, should he stand, supporters of further left policies have more choice about who they back. Mr Jack Carr and Ms Barbara Switzer, two assistant general secretaries who are more closely aligned to Mr Gill, are both thought to be considering whether to stand.

Under the first-past-the-post system through which the election will be held, they would split the vote of the left if they both stood.

Ken Gill: his arguments were not accepted

The election was agreed to by a 19:15 executive vote. Voting will take place in March and April of next year. Mr Gill, who is due to retire in August 1992, argued at yesterday's meeting that the timing and method of an election for his successor should be decided by the union's national conference in May.

Supporters of an early poll argued, however, that the jostling for position by prospective general secretary candidates was harming the union.

MSF was formed through the merger of the ASTMS and Tass unions two and a half years ago and is the UK's fifth largest union. Since the merger there has been considerable tension between the two former unions.

Some former ASTMS members believe Tass has dominated the new union. Their concern was accentuated when Mr Ken Gill, formerly general secretary of Tass, took over as sole general secretary on the retirement of Mr Clive Jenkins, former ASTMS general secretary.

Complications produced by this mean that the election will not be decided merely on the politics of the candidates.

Pressure likely for training tax relief

By Lisa Wood, Labour Staff

PRESSURE on the Treasury to allow tax relief to workers contributing to their own training is likely to increase as a result of plans announced yesterday by Mr Michael Howard, the employment secretary, for individuals to open individual training accounts.

Mr Howard was speaking to senior representatives of the new employer-led Training and Enterprise Councils (Tecs) which are now administering Government training schemes.

A main thrust of his speech was his support for a host of training pilots, particularly those involving vouchers, or credits. Tec chairmen have been lobbying strongly on the maintenance of their funding. Mr Howard, who is still negotiating with the Treasury, simply said yesterday: "You will have the resources you need to do the job we ask."

On vouchers the largest initiative is for 11 Tecs to pilot schemes next year in which 45,000 young people eligible for Youth Training (YT) will be given training credits – with a value of around £1,500 – which they will be able to exchange for training with an employer or training provider.

Mr Howard said vouchers could be extended to both unemployed adults, on Employment Training, and employed adults.

Tecs could collaborate with local companies to create individual training accounts – linked to a voucher system – in which training costs were shared by the employer, the individual and the Tec, which could draw upon the £125,000 Local Initiative Fund and YT funds. Tecs, he said, might help employers to develop pay arrangements to reward workers who trained.

Mr Howard said he was keen to explore ways in which Tecs could be linked with the Career Development Loan scheme – a small scheme at present which provides training grants.

Mr Peter Ashby of Full Employment UK said yesterday: "From today the campaign for tax relief on individual contributions to training accounts begins in earnest."

AUT plans action over pay claim

THE executive of the Association of University Teachers (AUT) has been directed by its council members to draw up contingency plans for industrial action over pay, writes Norma Cohen, Education Correspondent.

At a council meeting yesterday members asked that the industrial action take the form of one-day strikes and examination action, which could prevent university students from sitting final papers.

The AUT, representing 31,000 university teachers, researchers and professional staff, is also seeking a formal pay negotiating body, similar to that used by civil servants, to replace the current system of pay talks with university vice chancellors.

● PAY talks between British Coal and the Union of Democratic Mineworkers started yesterday with a claim for a two-year inflation-plus deal, writes Diane Summers, Labour Staff.

Skill seen as key for Black Country

By Paul Cheeseright, Midlands Correspondent

BLACK Country manufacturers see the availability of skilled labour as the most critical issue facing them in the near future. This emerged from a survey of 150 companies in the area, carried out by Handley-Walker for the Confederation of British Industry.

The survey, presented yesterday to a CBI conference in Wolverhampton, reflected a degree of confidence that over the next five years the Black Country would become cleaner and greener and that manufacturing would expand, but it also showed frustration with the Government and local authorities.

A skilled and flexible workforce was the key advantage of the region, according to the businessmen working in it, but the shrinking workforce is already causing problems and the situation is likely to become worse.

The Black Country, on the north west side of Birmingham, is the British urban area most heavily dependent on manufacturing, but the Handley-Walker report noted local job surveys indicating that 40 per cent of school leavers have no intention of entering manufacturing employment.

Underlying business concern about future skill shortages is the knowledge that not only has the size of the labour force shrunk but that the West Midlands population of 16-19-year olds will decline by more than 23 per cent.

The available pool of labour has shrunk with the reduction in the unemployment rate from 16 to 9 per cent.

The conference agreed that more stress had to be placed on training and on preaching the virtues of manufacturing to schools.

The Changing Black Country - confident and committed; Handley-Walker Group, Lincoln House, Shenstone, Staffs WS14 0NF; 25.

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Power of the protest vote

MRS Margaret Thatcher's government is in worse trouble than at any time since she became *prime minister in 1979*. It need not face the electorate until June 1992, but that would carry its own penalties, not least in loss of dignity. There have been other deep troughs in professed support for the Conservative party, most notably in 1981 and 1986, but in those years of mid-term blues the opposition was in serious disarray. The great battles between Labour and the Liberal/Social Democratic Alliance contributed as much to the Tory victories of 1983 and 1987 as any other factor, including both the Falklands war and the adept timing of the economic and political cycles.

It might be thought that the Liberal Democrat victory in Eastbourne this week presages a return to three-party politics, to the advantage of the government. There may be something in this, but it is unlikely to be decisive. Psephologists calculate that once support for the centre party moves towards a fifth of the vote and starts climbing it splits the anti-Tory vote and thus denies Labour a great many Conservative seats that it might otherwise have won. Opinion polls taken before the Eastbourne result suggest that support for the Liberal Democrats was barely a tenth of the potential vote nationally; the bandwagon effect of Eastbourne would have to be extraordinarily powerful if it were to come anywhere near to doubling that figure.

New low for Tories

The more rational interpretation of the by-election is that it is yet another measure of the depths of unpopularity to which the government has sunk. Labour has now enjoyed a commanding lead over the Conservatives for more than a year. Some of the credit for this must go to Mr Neil Kinnock for his reshaping of Labour into a social democratic party, but, in the main, the government has brought its troubles upon itself. Following its third victory in a row in 1987 it embarked on a series of policies motivated more by ideology than a sensitivity to the demands of the electorate. The secretive review of the National Health Service was an early example; the imposition of the poll tax, which alone may yet sink the government, is the most recent. To cap it all these domestic debates were overshadowed by divisions over European policy in general and attitudes towards the European Community in particular.

These internal squabbles have had a disastrous effect. The signs of disunity inherent in the resignation of Mr Nigel Lawson last October are still *evident today*. As chancellor, Mr Lawson was responsible with the rest of the government for the monetary and fiscal decisions of 1988-89 which lead to a credit explosion, a large and growing external payments deficit, escalating inflation and now, in response, belated entry to the exchange rate mechanism of the European Monetary System at a high exchange rate, with a recession already under way.

Little comfort

The new chancellor, Mr John Major, was unable to offer any comfort in his Mansion House speech on Thursday night. He has, for the time being, shot his bolt. He has cut interest rates by one point, but dare not make further cuts while sterling falls within its ERM range. Only a move to narrow bands is left. The trick of bringing about a concordance between the economic and electoral cycles will be more difficult to perform than during the 1980s. A great deal more than usual will depend upon luck.

It will also depend on the ability of the Conservatives, presumably under the continuing leadership of Mrs Thatcher, to present a manifesto which is coherent, commands the support of the party and is relevant to the 1990s. At present the appeal of the Tory party is weakened, partly by tiredness, but also by unresolved conflict between those like the prime minister who want more radical moves towards privatisation and market forces and those who think that public services, in something like their present form, need to be better funded, raised in quality and more efficiently managed. This week's spat over education vouchers, which are close to Mrs Thatcher's heart, provided a further indication of the tensions in the Cabinet.

There is life left in Thatcherism, if by this is meant a widening of choice and reliance, wherever sensible, on market forces. This remains a potent theme to which the Labour party offers no coherent alternative. Thatcherism has, however, to be reformulated in a way which accepts the legitimacy of state-financed services in some parts of the economy such as health and education, while applying market principles to others (notably housing) where sectional interests have held too much sway. Such a redefinition of goals may be too much to ask from a government in its 11th year of office, but without it the party's electoral prospects will remain gloomy.

Anthony Robinson says the Ukraine is shaking off its fearful past

Not willing to wait any longer

Students in Kiev give 'V' for victory after parliament granted demands for greater independence from Moscow

Outside the Bukovna-Donetskaya coal mine in the Ukrainian industrial city of Donetsk a classic propaganda poster shows a giant miner in strong boots and mining helmet striding purposefully towards the bright perestroika future.

Inside the gate two haggard middle-aged ladies in tattered brown fatigues and headscarves push with their shoulders a train of three coal wagons along a rickety track on wooden sleepers laid down when the mine was built 70 years ago. A group of even more ragged miners complain bitterly about a lack of soap, poor food and decaying housing as they wait to be winched down the rickety track leading to the coalface over a mile from the mine entrance.

It looks like a museum reconstruction of working-class life in the 19th century. But the mine is typical of present-day working life in the Donbas industrial heartland after decades of low investment, a breathtaking neglect of environmental protection and long-distance decision making by bureaucrats in Moscow.

Now the miners of Donetsk are in the forefront of a revolt against the communist party in the heavily Russianised eastern part of the Soviet Union's second largest republic. The revolt has brought people who were once considered the communist regime's natural supporters into informal alliance with the fervid Ukrainian nationalists in the formerly Polish western part who are pushing for a non-communist, sovereign Ukraine with its own currency and other trappings of independence.

This week, as demonstrations by thousands of students and workers in the capital Kiev prompted the resignation of Mr Vitaly Masol, the deeply unpopular communist prime minister, the prospect of Ukrainian secession, leading to the dissolution of the Soviet empire and its demise as a superpower, moved significantly closer.

Without control over the 52m, mainly Slav, population of the Ukraine, and without the grain from its rich black earth or control over its manganese deposits, coal mines, steel plants, power stations, manufacturing plants and ports, the Soviet Union would be reduced to its Russian core and the disparate group of minor republics also clamouring for freedom from Soviet-style colonial bondage.

It is still possible that the military and conservative forces in the KGB and the party apparatus will see this as a threat which would legitimise military intervention.

But the difficulties would be enormous. The hope among wiser heads in both the Ukraine and Moscow is that the two mainly Slav republics with their long, indefensible and featureless border will work out a *modus vivendi* which leaves them as freely trading but sovereign neighbours (such as the US and Canada) or – as pro-independence economist Professor Veniamin Sikora prefers – "enjoying relations like those between Germany and France and all other sovereign members of the European Community with each other."

Professor Sikora, one of the most influential economic thinkers connected with the pro-independence Rukh movement, sees the EC model of co-operation between sovereign states as the most appropriate model not only for Russian-Ukrainian relations, but for future relations generally between the constituent parts of the Soviet empire. Rukh's opposition to the proposed Union Treaty now being discussed in Moscow is based on the belief that the only agreement which can endure is one between sovereign states, not one imposed by the now decaying centre.

The emergence of an independent Ukraine, roughly comparable in population and economic potential to the middle-size west European countries, would add a new dimension to a newly unified Europe, especially as it would be likely to emerge together with the three Baltic states of Latvia, Estonia and Lithuania and with Byelorussia.

So far, under Tsar and commissar alike, the Ukraine has been more a "geographical expression", to quote Metternich's description of Italy, than a functional state enjoying the trappings of national sovereignty. But it has paid a terrible price for its porous borders, powerful neighbours and largely peasant-based culture.

Lenin, with his customary grasp of the realities of power, declared in 1918 that "to lose the Ukraine would be like losing our heads." Which was why the Red Army moved quickly in 1922 to snuff out the short-lived Ukrainian republic and restore Moscow's control over the once strongly independent cossacks.

But forced collectivisation and rapid industrialisation under Stalin were accompanied by a devastating, artificially induced famine, in which millions of Ukrainian peasants died. Ruthless exploitation of the new working class in the bleak industrial and mining towns created similar urban misery.

Conditions were so bad that Hitler's invading armies were initially welcomed as liberators before new horrors led to the formation of armed partisan bands who fought both the Nazi invaders and the returning Red Army until they were finally suppressed in the late 1950s.

It is against this sombre historical background that current events are unfolding. This week it was the students of Kiev university and the city's many technical colleges who forced the resignation of the prime minister, after they camped outside the parliament buildings and paraded down the Kreschatak, the wide, ruler-straight main street, waving the blue and yellow flag of the short-lived post First World War Ukrainian republic.

But their demands, which included a new constitution enshrining the principle of sovereign independence, the nationalisation of communist party property, an end to military service in the Red Army, a multi-party system and free elections, were echoes of demands which first surfaced in the more radicalised western Ukraine in the aftermath of the Chernobyl nuclear disaster four years ago.

The way in which cynical party bosses – mainly former cronies of former President Leonid Brezhnev – suppressed information about the scale of the disaster while sending their own families away to safety had an extraordinarily galvanising effect on the long-cowed Ukrainian population. It also coincided with the release of many political prisoners who had been jailed for their nationalist activities, and with the spread of a more open political atmosphere – thanks to the changes in Moscow and developments in the Baltic states and in neighbouring Poland.

In local elections earlier this year, Rukh – the pro-independence opposition – gained more than 80 per cent of the seats on the Lvov city council and made a good showing elsewhere in the western Ukraine. At a parliamentary level, however, the well-entrenched communist party apparatus – accustomed for years to producing 99 per cent majorities – was able to ensure that the communist party kept a majority of 239 seats in the 450-seat Kiev supreme soviet, or parliament.

The strong conviction that the parliamentary elections were rigged lay behind this week's student demands for the dissolution of a parliament still dominated by unreconstructed communist aparatchiks and for new elections on a multi-party basis.

The party is now fighting for survival, after decades of providing many top-level party, KGB and military cadres to the Moscow centre. Both Nikita Khruschev and Leonid Brezhnev were ethnic Russians born and raised in the Ukraine. As party boss in the republic, Khruschev helped to organise the bloody purges of the 1930s while Brezhnev was the archetypal ambitious new Soviet man of the generation which stepped into the shoes of the murdered purge victims.

It was not until last year that Vladimir Scherbitsky, the last of Mr Brezhnev's "Ukrainian mafia" cronies, was finally removed as Ukraine party boss. He had tightly controlled the party and had maintained close links with its KGB watchdogs for 17 years. This summer the party's prestige plummetted further when his successor, Vladimir Ivashko, another Brezhnevite conservative, unceremoniously abandoned the Ukraine for a more prestigious job in Moscow. Piqued, the communist majority voted in favour of independence, including a separate Ukrainian army, on July 16.

Since then, some of the younger, more pragmatic communists have been seeking alliances with the environmentalists and other opposition parties. But with ordinary Ukrainians free at last to write and talk about the horrors of the last 70 years, and angry at the economic, social and environmental devastation of their republic, the bandwagon for an independent, non-communist Ukraine looks unstoppable.

Steering through hard times

William Dawkins looks at the problems facing Michelin

Even before Mr François Michelin, head of the world's largest tyre company, opened his mouth, the stock market sensed that bad tidings were on the way.

When the secretive Mr Michelin sent out a courteously-worded note inviting financial analysts and the press to Clermont-Ferrand for the first time in four years, his 100 or so guests expected to hear confirmation that Michelin's losses were worsening.

Even so, most were startled at the extent of the problems outlined by Michelin's normally anonymous top managers: losses expected to reach at least FFr2.3bn this year, a huge swing from last year's FFr2.6bn net profit; plus drastic cost-cutting measures, including a 60 per cent cut in investment, the budget dearest to Mr Michelin's heart.

If the cost reductions have the desired effect, Michelin might break even by the end of next year. But Mr Eric Bourdais de Charbonnière, the new finance director parachuted in six months ago from the US bank Morgan Guaranty, says it is too early to predict whether Michelin can make a profit next year.

The stock market – often criticised by Mr Michelin for taking a brutally short-term view of his company's fortunes – liked it even less. The share price plummeted 10 per cent within minutes of yesterday's opening, at which level it triggered automatic suspension.

All the world's tyre makers are reporting profits falls these days because of shrinking demand from their car- and truck-making customers. But Michelin is worse off than most because it seems to have taken all the wrong turns at the worst moment.

It has just spent $700m on buying Uniroyal Goodrich, the US tyre maker, defended by Mr Michelin as an absolutely essential purchase, even if only to keep the US company out of the hands of a competitor. "If we had not done it, someone else would. That would have cost us a lot more in the end," he says.

Yet this has driven up Michelin's debts to FFr33.7bn, 1.8 times shareholders' funds. This is at a time when interest rates are rising and the dollar is falling – so eroding the value of Michelin's US earnings when converted into francs. Michelin is also being hit by the rising oil price which affects nearly a third of its raw materials' costs.

"Practically all the key parameters of Michelin's business are moving against them at the same time," fine says Mr John Longhurst, European automotive analyst for James Capel, the stockbroker. He and several other observers believe losses will be even worse than Michelin's forecast; FFr3bn this year and the same the next, with a possible break-even point in 1993.

Michelin has steered through tough times before. Indeed, the irony is that nearly the same thing happened in the late 1970s. Then Michelin built eight factories in North America, quadrupling total output just before the market went flat. This forced heavy job cuts and losses of FFr5bn in the three years to the end of 1984.

But this time, its debts are much heavier. Some analysts wonder whether it can pull through without asking shareholders for a huge capital increase – which may be part of the reason why Michelin wants to be better understood by the financial community.

It is easy to be beguiled by the provincial charm of 64-year-old Mr Michelin, known in the business simply as "gérant", or manager. A tall, slightly frail-looking figure, Mr Michelin's imp-like face is inclined earnestly as he makes a point in his typically simple but vivid style.

The general atmosphere of Michelin's offices still has a hint of the small, country-town producer of farm machinery run by Mr Michelin's grandfather, Edouard, who struck lucky when he started making removeable bicycle tyres in his backyard in Clermont-Ferrand 101 years ago. "It is better to be ignorant and inquisitive and open-minded, than knowledgeable but closed-minded," says Mr Michelin, summing up his management philosophy.

On the surface, it is hard to imagine this civilised spirit taking much joy from steering Michelin through the trials ahead. Yet the underlying message from Mr Michelin and his colleagues is extremely tough. There will be no basic change in strategy, however hard it gets. "From now on is the time to improve our methods, to make economies," says Mr Michelin. "The objective now and for a very long time ahead is to reward shareholders who help us through difficult times," he adds.

He pins much hope on the release of a new "green" tyre, claimed to produce 2 per cent to 3 per cent fuel savings – in line with Michelin's traditional strategy of relying on the excellence of its products to expand market share.

Yet Mr Michelin is keenly aware that he is in a new game. In recent years, there was ample room to increase profits by expanding sales, but now Michelin is so big – with a 20.5 per cent share of the world market – that the scope for taking market share from competitors is limited. So the focus now has to switch more to cost and inventory control, to squeezing profits from increased efficiency – and here Mr Bourdais de Charbonnière could be the most important figure in Michelin management in the period ahead. Mr Michelin is ready for that. "What is important is that a business makes progress. It matters little who makes it."

WOMAN IN THE NEWS

Rachel Lomax

A role model for brave new Whitehall world

By Philip Stephens

Rachel Lomax has the fortune and misfortune to be regarded as the cleverest woman in the civil service. She probably is.

Her appointment this week *at the age of 45 as deputy chief* economic adviser to the Treasury confirmed her place on the fastest track of the most elitist of government departments.

But it also had press officers falling over themselves to hold her up as a role model for a brave new world of equal opportunity in Whitehall. That bastion of male, middle-class privilege had shown that it was ready to welcome women – youngish women with children – to its highest echelons.

For colleagues in the Treasury that second judgment was palpable nonsense. Mrs Lomax had won promotion because she deserved it. The fact that she was a woman was neither here nor there.

Tokenism, one colleague commented with the disdain with which Treasury officials are born, might go down well in the rest of Whitehall – at the department of social security perhaps. In the Great George Street meritocracy they were hardly aware that Mrs Lomax was a woman.

However, the appointment has cast a few shafts of light into the peculiarly insular world of the Treasury and into the highest grades of a civil service which still has most of its roots in the rugby pitches of Harrow and Eton.

In the appropriate jargon, Mrs Lomax is now a Grade 2 civil servant. That means she is just one step outside the hallowed club of permanent secretaries who run Whitehall's empires. It also means she will earn £53,420 a year.

She is not alone. Before the announcement there were five women at Grade 2. Another Treasury official, Mrs Rosalind Gilmour, was promoted alongside her to the same rung.

And there have, of course, been women permanent secretaries before – all of three of them in the past 90 years. The most famous – and allegedly ferocious – was Dame Evelyn Sharp who ran the ministry of housing for a decade from 1955 and was immortalised in the diaries of the late Richard Crossman.

Mrs Lomax's age and her record suggest that she should bring the total at least up to four. In five years she should be running a Whitehall department. In 10 years, perhaps, the Treasury.

This week though, she insisted that she was too busy to contemplate that: "I haven't a clue what I will be doing in five or 10 years time . . . I haven't even really thought what I will be doing in my new job."

The reticence was understandable. Her promotion coincided with the final, bitter throes of this year's public spending negotiations.

As the Treasury's chief strategist – officially head of the general expenditure policy group – in the ritual battle over departmental budgets, Mrs Lomax was still locked in combat with her opposite numbers in the spending ministries. The Treasury, she said, was "the representative of the taxpayer in all this". There were always "rafts of worthy ideas" on which to spend money, but someone had to weigh the priorities.

Now, though, she will swap arguments over how much the government should spend on schools or submarines with charge – under the overall guidance of Sir Terence Burns – of scores of Treasury economists.

Her principal task, she says, will be to ensure that "the economists are plugged into the real world of policy issues . . . not just sitting around having fascinating academic arguments among themselves".

Though a professional economist herself – after joining the Treasury from university in 1968 she spent her first 15 years in that role – she expects to spend most of her own time tackling policy rather than theoretical issues.

She will be Mr John Major's representative on the Whitehall committee set up to "green" the government's economic and tax strategy. She will be a key figure also in the Treasury's attempts to persuade Britain's European partners that its "hard Ecu" offers a realistic as well as a theoretical route to economic and monetary union.

Her very success makes Mrs Lomax an infuriating person to write about. A trawl of opinions among colleagues brings little but admiration. "One of the sharpest minds in Whitehall" is a judgment of a former boss.

That is combined with what colleagues regard as her greatest strength – an ability to translate economic theory into an analysis which is both intelligible and useful to policymakers. Politicians like her too. "She cuts through all the nonsense," one minister says.

He might have added that Mrs Lomax has mastered totally that special Treasury talent of persuading the outside world that the sun is still shining at midnight.

This writer remembers with more than a hint of embarrassment being persuaded by Mrs Lomax some years ago that the conclusive evidence that monetary policy was in ruins represented nothing more than one of those now famous "blips".

Within Whitehall, among the worst criticisms offered are that Mrs Lomax is sometimes overbearing and very occasionally rude. In more junior posts she acquired a reputation as "icy". She owns up to being "forthright and unduly impatient".

Some of those who have sat opposite her in the spending negotiations accuse her of Treasury myopia – opposing all increases regardless of their potential value. But that is her job.

But she is also human. Her reputedly iron will is not so strong that she can give up smoking cigarettes. She is deeply embarrassed – "I cringe when I am reminded" – by an interview she gave some years ago in which she described Treasury economists as "the higher intellectuals of the building".

On balance, she believes that her sex has not been a important influence either way in her career. An education at Cheltenham Ladies College, Girton and the LSE, is not one which leaves the recipient lacking in confidence. And, she remarks: "If you stick around in an institution like this for long enough they forget you are a woman."

It does make a difference. During much of the 1970s she worked part-time at the Treasury to bring up two sons. That had to be followed by "a huge spurt so I could catch up with my contemporaries".

Women are more noticed in what remains a overwhelmingly male preserve. Sometimes that helps. Men find it difficult to assess female colleagues. "They tend to think good women are better than they are and bad women are worse than they are." In the Treasury those sort of misjudgments count.

Recession bound Britain feels the squeeze

Ian Hargreaves hears tales of woe from Scotland to high-tech Cambridge

Just suppose that Mrs Margaret Thatcher were unwise enough to step off an aeroplane this weekend and say to the television cameras: "Recession, what recession?"

It would be a serious political gaffe, but it would also, as it happens, make sense to a lot of people, especially in the northern part of the United Kingdom.

"We're working weekends to get the job done," says Mr Bill Hughes, chairman of Grampian Holdings, whose 750 trucks form one of the biggest haulage fleets in Scotland. "And as far as we can see ahead, we expect to stay busy." To date, the only dent in Grampian's haulage business has been a pricing skirmish with "bandits from the south" – recession-struck English hauliers foraging northwards.

In prosperous, high-tech Cambridge, it's a different story. There, property prices have fallen by more than 20 per cent in the past 18 months and Mr Dennis Cross is as busy as Mr Hughes's drivers. Mr Cross is a leading receiver. "I'm doing two a week; it used to be two a month," he says. With 30 years' experience of the Cambridge scene, Mr Cross, of KPMG Peat Marwick, says it's the worst he's seen. "In the last recession, you only seemed to get cases where the company had just been formed, within three years of start-up. Today, you're also seeing the traditional family business that's been around for some time." Mr Cross's recent caseload has included computer equipment makers, fish and chip shops, hauliers, and, inevitably, builders. Many collapses started with banks re-examining high loans secured against falling real estate. "Credit has been too free," he says.

These two stories illustrate the fact that this recession differs from its fearsome 1980-82 predecessor both in its nature and its regional intensity. Unlike 1980, it follows a period of strong growth in productivity and profits and a re-structuring that has reduced manufacturing employment to not much more than a fifth of Britain's total. It also, however, follows a credit explosion, accompanied by high interest rates and, now, the prospect of a durably high exchange rate.

Regional disparities are considerable and shifting. The areas that were hit hardest a decade ago – notably the north, the West Midlands, Wales and central Scotland – had not reached economic boiling point by the time that recession started to sweep the south-east. A whistle-stop inspection of post-ERM Britain in the past two weeks confirms that the recession began in Britain's ankles in the spring and that so far the country's shoulders and neck are suffering only a mild recessionary ache. But there are more far-reaching questions: how long do people expect the recession to last? Will the ERM have any effect on pay bargaining; and will it, eventually, allow Britain to catch up with Germany? In short, just how strong is British business compared with 1980?

There is no doubt, as you travel around, that Britain has been booming. All five cities I visited – Cambridge, Birmingham, Manchester, Bristol and Glasgow – have seen large physical change in the past decade. Birmingham, for example, has a new Hyatt, a sparkling convention centre/concert hall and, still in plastic wraps, a headquarters for the TSB.

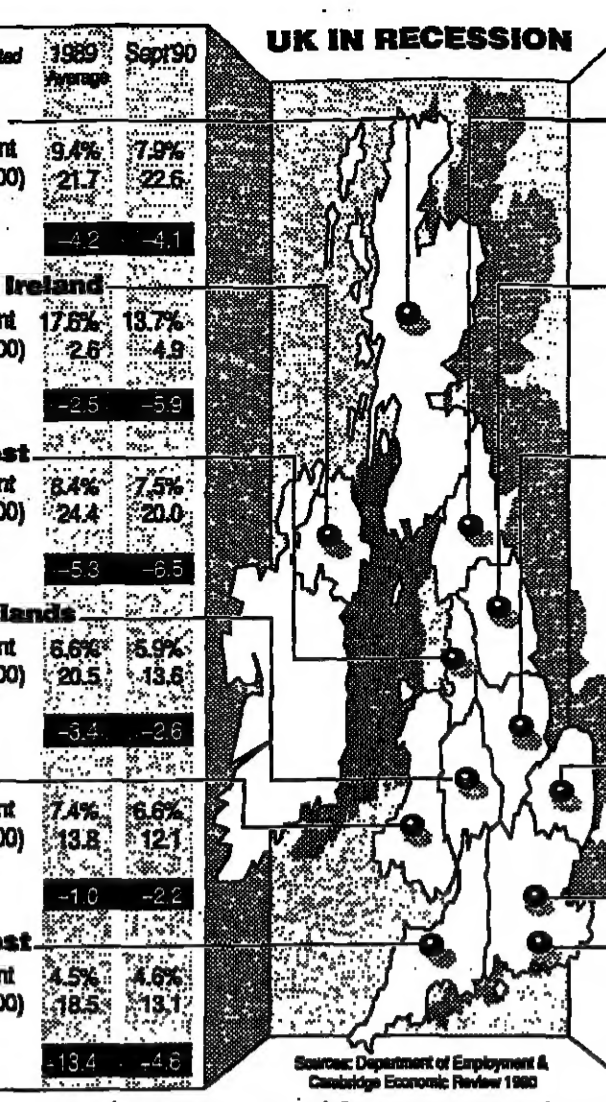
Some things, however, have changed less. In cities with strong leadership and healthy co-operation between public and private sectors, urban development programmes have certainly improved some inner city patches. But few in Bristol claim that things are significantly better in the St Pauls area and Manchester is still circled by a collar of poverty, largely unaffected by council tenants' "right to buy" and other delicacies of the Thatcher years.

But as I drove into Cambridge, it was to the shock of the new. To an undergraduate's eye 20 years ago, Cambridge had the university, some light industry and the fens. Today, the Cambridge Science Park, owned by Trinity College, has been joined by the St John's Innovation Park and numerous other smaller sites cashing in on the area's reputation as an entrepreneurial hothouse.

Almost all the best known names of the early "Cambridge phenomenon" have collapsed or been absorbed by bigger companies, but according to Mr Walter Herriot, there is no shortage of prospective tenants for his St John's Centre. "There has certainly been a shake-out," he says, "but I'm more optimistic about the medium term." He reports brisk demand for smaller units, but a stickier market in 5,000 square feet spaces. "The recession here means that more small companies are created as technology companies divide and multiply."

A hundred miles west, in Smethwick, Birmingham, Mr James Doel, chairman of Triplex Lloyd, has just returned from a board meeting, where recession topped the agenda. "It started to impact upon us two months ago," he says. The company makes motor parts, power systems, electrical components and building products; this last division has seen sales of its aluminium patio doors fall by half this year. Market share is being held in the auto market, but only by cutting prices.

UK IN RECESSION



Seasonally adjusted	1989 Average	Sept'90
Scotland		
Unemployment	9.4%	7.9%
Vacancies (000)	21.7	22.6
Employment growth*	-4.2	-4.1
Northern Ireland		
Unemployment	17.6%	13.7%
Vacancies (000)	2.6	4.9
Employment growth*	-2.5	-5.9
North West		
Unemployment	8.4%	7.5%
Vacancies (000)	24.4	20.0
Employment growth*	-5.3	-6.5
West Midlands		
Unemployment	6.6%	5.9%
Vacancies (000)	20.5	13.6
Employment growth*	-3.4	-2.6
Wales		
Unemployment	7.4%	6.6%
Vacancies (000)	13.8	12.1
Employment growth*	-1.0	-2.2
South West		
Unemployment	4.5%	4.6%
Vacancies (000)	18.5	13.1
Employment growth*	+13.4	-4.6

Seasonally adjusted	1989 Average	Sept'90
North		
Unemployment	10.0%	8.7%
Vacancies (000)	10.7	9.5
Employment growth*	-6.6	-6.3
Yorks & Humberside		
Unemployment	7.7%	6.9%
Vacancies (000)	13.3	11.9
Employment growth*	-3.7	-1.6
East Midlands		
Unemployment	5.6%	5.2%
Vacancies (000)	12.9	10.2
Employment growth*	-5.6	-4.4
East Anglia		
Unemployment	3.6%	3.9%
Vacancies (000)	8.3	4.3
Employment growth*	+14.0	+10.5
Greater London		
Unemployment	5.0%	4.9%
Vacancies (000)	23.6	12.5
Employment growth*	n.a.	n.a.
South East		
Unemployment	3.9%	4.0%
Vacancies (000)	71.7	39.6
Employment growth*	-7.6	-0.4

Sources: Department of Employment & Cambridge Economic Review 1990

* N.B. Employment growth figures are percentage change over the period 1980-89 and 1989-2000

Mr Doel's latest annual report proclaims ambitious missions and strategies, including a plan to raise international sales from 10 per cent to 50 per cent of the company's total by 1993.

"We are competitive up to DM 3," he says, but adds: "We have got to re-think the European strategy now." He has ordered a cut in Triplex's capital investment programme from £10m last year to £4m this; banned the purchase of new cars over £12,000; re-deployed group managerial effort into the operations and increased the cash levy on divisions. It is, he says, "brutalisingly short term – we want cash in the bank." The strategic imperative of Europe has not changed, but he is now looking for alliances with established European players, even if Triplex secures only minority stakes. Like many British engineering companies, Triplex Lloyd looked for acquisitions in France and Germany in the good years, but was outbid. Given the volume of inquiries in manufacturing regions of Britain by European, Japanese and US companies, backed by a dramatically increased presence of foreign banks in cities such as Birmingham, Manchester and Bristol, the local mood suggests that most investment will continue to flow the other way, although the US, Japan and Germany all have either economic problems or distractions at home.

If the motor industry is delivering a clear signal of recession – car sales down over 11 per cent this year – it is also responsible for another harbinger, pointing to renewed wage inflation which is expected to yield increases this autumn in excess of 12 per cent. "Companies simply can't afford inflation and a little," says Mr Tony Bradley of the Birmingham Chamber of Commerce. "But I don't think the ERM effect has yet fed through to our members."

This is not just a question of short sightedness or weakness. The Birmingham chamber's latest survey showed 57 per cent of companies report difficulty in recruiting skilled manual labour. And the Birmingham market is slack compared with Bristol, where British Aerospace has just launched its first TV advertising campaign for Airbus workers and where National Westminster Bank has created a London-style "Bristol weighting" to try to attract workers.

"We are trying to widen our recruitment net," says Mr Gordon Bottoms, director of human resources for the Airbus division of BAe. Mr Tony Fitzsimmons, chief executive of the Bristol and West Building Society, has taken on chairmanship of the local Training and Enterprise Council in a bid to stimulate "a big, systemic breakthrough" in the region's training record.

Mr Fitzsimmons confirms that employers are holding on to skilled labour longer than they would normally do at this stage of a recession which he expects to grip the Bristol area until 1992. "It's far deeper than the statistics have revealed," he says. But he also acknowledges the difficulty of avoiding regional pay pressures, as his own society seeks to upgrade its skills for a more ambitious form of financial retailing in the 1990s. Bristol and West will for the first time this year base all pay increases on performance-related calculations; his payroll costs could rise by as much as 18 per cent over the year.

Just outside Glasgow, Mr Ron Garrick, chief executive of the Weir Group, makes a blunter point. He has sent his managing directors a copy of Martin Wolf's assessment of the post-ERM British economy (FT, October 8). With 60 per cent of its business overseas and a key competitor in Germany, Weir's pumps and other engineered products compete internationally or the company dies.

"I have told them that they had better start thinking where the cost savings are coming from to make our wage award equal to the German rate of inflation," he says. "I have no fears about DM 3," he says. "If you are in a business and you can't make it at DM 3, you are probably in the wrong business." Labour and overheads account for 45 per cent of Weir's costs, so a current one third UK advantage in labour costs is crucial. "Two years of awards at UK inflation rates and you will lose your competitive advantage," he says.

From the other side of the negotiating table, however, things look different. "There's no feeling that we should be backing off," says Mr Bill Speirs, deputy general secretary of the Scottish TUC. "I haven't heard much indication of employers saying if you push us too hard you will drive us out of business."

In Manchester, Mr Ron Parsons, a regional officer for the MSF union, which represents skilled engineers, has heard many such threats, but says they don't cut much ice. "We haven't really come out of the last recession," he says. "There have been waves of redundancies since 1980. Many companies see redundancy as an annual *quid pro quo* for the union pay increase. If you take a pay cut, you still be made redundant. I hear my members say that it's best to go for a big increase so it will push the redundancy pay up."

Pay, then, will be a crucial battleground this winter, with all eyes on the engineering sector and on the government's conduct of the public sector pay round and manipulations of interest rates. "One fear is that the cycle won't be allowed to run its course for political reasons," says Mr Alan Lewis, 3i's man in Bristol. He is advising his charges to assume nil growth for the foreseeable future. "It will take interest rates at 11 per cent to produce a steady state," he says. There is little doubt that there are more significant company failures in the pipeline and that unemployment will rise considerably; bankers say the problems are not confined to particular sectors and acknowledge that in a scramble for market share they have encouraged much of the over-borrowing which is now being punished.

But in spite of these anxieties and a dawning awareness that the ERM means lower growth relative to Britain's European competitors at a crucial phase in the development of the European market, no one I met in the last fortnight expects a mauling of the kind the British manufacturing sector received in 1980-82.

"There has been a transformation of company attitudes and competence in the last 10 years," says Mr Peter Folkman, who co-directs a Manchester-based venture capital fund. He also thinks the less congested north will continue to gain ground against the south, but poses a tougher question. "It's hard to be really optimistic about the north versus central Europe. You have to ask: can Manchester catch up with Dusseldorf?"

Mr Bill Hughes of Grampian Holdings, is not a man given to self-doubt. Since UK growth prospects are so poor, Grampian is "putting all its money into Europe." His sports goods business is, he says, doing particularly well in Germany, where profit margins are much easier. "You can buy a bankrupt company in France and sort out the communist unions. I don't see anything to be frightened of there," he says. But then, he hasn't got anything worse than a little bandit trouble in his own backyard. Yet.

LETTERS

Discouragement of the small investor

From Mr Ralph Instone.

Sir, You are absolutely right ("The private shareholder," October 18) to charge the Confederation of British Industry's (CBI) wider share ownership task force with failing to address the real issues. You might have added that its report well illustrates Keynes's observation that businessmen tend to espouse defunct socio-economic theories.

It has for years made no sense to encourage direct share ownership for those with less than, say, £50,000 to invest:

- Those potential investors for whom current income is important (mainly the retired) can do much better, with greater safety of capital, in fixed-interest holdings or deposits.
- Young high earners with surplus investable income, but not much liquid capital, need a spread of risk which only collective investment media can provide.
- Current dealing costs tend to lock individuals into holdings which should be sold to consolidate gains or mitigate losses.

The fact that the task force calls for new tax incentives shows that direct share-ownership (for investment rather than gambling) by the small investor is uncompetitive.

Ralph Instone,
7 New Square,
Lincoln's Inn, WC2

From Mr J.E.V. Rice.

Sir, The plight of the Beta/Gamma private investor has deteriorated to the extent that some estimated £20bn has been lost over a year or so, while Alpha stocks (mainly institutional) have gained. We now have the worst depression this century in Beta/Gamma portfolio values, when compared with Alpha stocks, as well as in property values. In consequence all collateral values have drastically diminished.

The private investor should take the full responsibility for decisions on his own investments (as advised by his stockbroker, or other professional manager) – "the farmer's boots are the best manure". No one cares more earnestly for one's own investments than oneself. To suggest that this should be done by some third party is the basic reason for the fall in the ratio of private to institutional investors. The pleasure of self-management makes for saving and investing, as the economies in Japan and South Korea show.

Please keep up the pressure for the abolition of capital gains tax (CGT), which is counter-productive to the best interests of the nation, or at least advocate the introduction of a CGT rollover system, which I am delighted to see the CBI is at long last advocating.

J.E.V. Rice,
Exhurst Manor,
Staplehurst, Kent

From Mr Philip Chappell.

Sir, Your comment on the CBI report suggests that since "the idle classes do not mend their own cars", they should not be concerned with running their own investment portfolios. This is about as paternalist an argument as the old story about not letting the lower classes install baths in case they used them for storing coal. It flies in the face of all the political and philosophical arguments that support wider ownership and democratic capitalism.

Your argument is doubly unfortunate. Citizens do actually own their cars and then have a free hand in whether they will mend them themselves or seek professional help. Just the same ownership principle should apply to shares, allowing individuals to choose between do-it-yourself share ownership and professional pooled management.

As you point out, convenience, marketing and risk control do indeed drive employers into the icy grasp of occupational pension schemes with ill-defined responsibilities to their members. Lord Vinson's supplementary memorandum pointed the way towards unlocking this oligarchy and opening up retirement planning to choice and competition, and creating a true nation of shareholders in the process.

But the fiscal mystery remains: why does a government which believes in individual ownership tilt the tax playing field so heavily against the personal shareholder?

Philip Chappell,
adviser,
Association of Investment Trust Companies,
Park House,
16 Finsbury Circus, EC2

Churchill and the resistance agenda

From Mr R.H. Hellmann.

Sir, Mr Anthony Verrier ("Churchill: the secret resistance agenda," October 13) adduces some remarkable "facts". Thorez and Togliatti were "neutered". The real fact is that they failed in democratic elections to overcome the resistance of the majority of the French and Italians to communist rule. Yet both played important roles in post-war developments.

In Belgium, a British general "rounded up 30,000 allegedly communist resistants and had them packed off to Northern Ireland"! Really – 30,000? Has Mr Verrier any proof of that?

In Greece, "King George returned, much against the will of his people". In fact, King George II, despite his undoubted legitimacy, was forced by Mr Churchill to submit to a referendum which he won with a splendid majority. Even republicans admitted it had been fairly conducted.

Certainly it was British policy to restore the regimes which had been extinguished by the Germans, though only subject to democratic elections. Thank God, that policy succeeded in some cases, at least. Had it been more energetically pursued, Stalin would not have been able to impose red totalitarianism after the brown version on half of Europe.

R.H. Hellmann,
58 New Cavendish Street, W1

MIM in Japan

From Mr N.A.D. Johnson.

Sir, Michiyo Nakamoto ("Japan opens up to investment trusts," October 16) believes prospects for the investment trust business in Japan look bleak in the short term and, as a result, MIM is cautious, indeed hesitant, about entering this market.

In fact, we have been active investors in Japan for many years and were among the first foreign firms to be awarded a discretionary investment management licence. Our entry into the domestic investment trust market is a major step towards the fulfilment of a long-term business strategy which will not be deflected by short-term market conditions.

Nicholas Johnson,
MIM,
11 Devonshire Square, EC2

English education: the nature of the culture produced

From Mr John Black.

Sir, Peter Martin's report ("A story of pomposity and circumstance") on David Kynaston's paper to the London School of Economics, "The City and Industry 1880-1990 – An Uneasy Relationship?" and the editorial comment ("Choice in education") appeared on October 16. Although independent of one another both focus indirectly on the nature of the culture produced by English education.

The proposed voucher system, although theoretically designed to give more choice in the state sector, will actually fragment the educational system still further.

The historical development of English education has tended to polarise culture into either high or low culture. Despite cosmetic reforms, the public schools still offer a classical, liberal education, suited to and demanded by the traditional professions, including parliament, the higher civil service and the City. The financial services sector tends to be respected because it is assumed to be high culture, or gentrified.

Anything industrial, whether smokestack or greenfields, is treated with a certain amount of contempt by the gentrified professions, including the City. This cultural contempt has its roots in the Industrial Revolution. The original innovators and entrepreneurs came from the nonconformists who had been oppressed into isolation during the 17th century. The nonconformist academies became the nucleus of British industrial society, and not the traditional universities or public schools.

The role of 19th-century elementary schools and 20th-century secondary modern and technical schools tended to carry on the traditions of the nonconformist academies. Also the role of elementary education was to produce a basically literate and numerate, but subservient workforce, for the new industrial society.

The Conservative educational policies of City Technology Colleges (CTCs) and the voucher system will further enhance the state of education producing high and low culture attitudes. Are not the CTCs the direct descendants of the nonconformist academies? Will not low-ranking schools produced by any voucher system be equivalent to Victorian board schools, teaching by rote in the manner described by Dickens in Hard Times?

Science and technology have always been poor relations within the English educational system. Over 100 years ago amid a growing threat of decline in British industrial supremacy, two royal commissions, (Devonshire and Samuelson) reported on the differing standard in Europe compared to Britain. The same problem still faces Britain, and the questions raised by Devonshire and Samuelson remain unanswered.

Most of our European partners do not have such a divisive educational system as we have in Britain. A brave attempt to redress the balance was made in the 1960s. Unfortunately the white heat of technology of the Wilson era has fizzled out like a damp squib.

Mr Kynaston's paper has very much wider implications than the City.

John Black,
22 Bayswater Avenue,
Westbury Park,
Bristol

The day the roof fell in

From Mr James R. May.

Sir, While the Conservative party conference was in full flight in Bournemouth last week my daughter and her friends had to move because their classroom ceiling collapsed.

Symbolically, this epitomises the way our state education system has been run down and is cracking up.

Your editorial comment ("Choice in education," October 16), doubting whether vouchers would solve educational ills, was timely. The government's failure to invest in the nation's infrastructure, to treat teachers with respect and to introduce performance-related pay in education will cost Britain dearly.

Give-away asset sales and other quick electoral fixes will do nothing to position us for the competitive business environment of Europe in the 1990s.

James R. May,
164 Tivoli Crescent North,
Brighton, Sussex

UK COMPANY NEWS

Spurs suspended as SE receives new information

By Andrew Hill

THE STOCK Exchange yesterday suspended shares in Tottenham Hotspur at 91p after it received new information about the finances of the company, which owns the famous London football club.

In a statement after the close of trading yesterday, the Exchange's quotations panel said it now believed there was "insufficient public information at present available for determining the current value of those securities".

The Stock Exchange, which would not elaborate on the nature of the new information, has spent the last few days examining a circular about recent developments at the company which should have been sent to Spurs shareholders this week.

Spurs said in a formal statement last night: "The company is close to finalising the circular which it hopes to be in a position to post to shareholders shortly."

Uncertainty has surrounded Spurs' future since the middle of last month when it emerged that the group had concealed news of a secret deal with Mr Robert Maxwell, the publisher, from shareholders for more than a month.

Headington Investments, a vehicle for the Maxwell family, had also advanced £1.1m to a private company controlled by Mr Irving Scholar, Spurs' club chairman, which in turn lent the money to the company.

The circular to shareholders is likely to offer an explanation of the recent events. Yesterday's statement said: "The suspension will be reconsidered once Tottenham has published a [circular] which meets the requirements of the Stock Exchange as to full and adequate disclosure."

A Spurs board meeting was understood to be in progress last night at the offices of Ashurst Morris Crisp, the City law firm which was brought in to report on the saga last month.

According to the original Spurs statement more than a month ago, Mr Maxwell had been invited to underwrite a £13m rights issue, which could have left him with a large stake in the group.

Conran quits Storehouse board but keeps shares

By Maggie Urry

SIR TERENCE Conran has resigned as a non-executive director of Storehouse, finally severing management links with the retail empire founded on Habitat, the shop he opened in 1964.

He retains 2.2m shares in the company, which also owns BhS, the chain store, Mothercare, the mother and baby goods shop, and Richards, the women's fashion retailer.

He said yesterday that he was sad, though not bitter, at the end of the association, but "I recognise I do not make a very good non-executive director".

He said: "Storehouse is no longer the company I dreamed it might be," but added that he had no argument with the way it was now being run, which he thought was probably correct given current adverse retail trading conditions.

Mr Ian Hay Davison, Storehouse chairman, said: "I am very sorry that Sir Terence has decided to retire from the board."

Sir Terence stepped down as chairman of the company in May, and is expected to receive compensation for that, but had decided to stay on as a non-executive director until October next year when he will be 60.

At the same time he bought back the Conran Shop, a store in London's Fulham Road, from Storehouse and became joint president of the international design division of Roux Seguela Cayzac & Gourdard, the French communications group which bought Conran Design Group from Storehouse.

Another consideration behind his departure was a conflict of interest between Storehouse and his other activities. For example, he has had requests from other retailers for design work.

The Conran Shop was "doing extremely well even in today's circumstances", he said, and he was looking for sites in Paris and New York where he could open branches.

Sir Terence said he had no immediate plans to sell his shares, which at last night's closing price of 138p, up 4½p on the day, were worth £3m.

In July Sir Terence sold 20m Storehouse shares to raise £23.7m, partly to help fund his Butlers Wharf property development on the south side of the Thames at Tower Bridge.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Harmony Leisure§ ....fin	nil	-	0.168	nil	0.168
MY Holdings ....fin	nil	-	nil	0.55	0.55‡‡
Riv & Merc Gear 2in	1.4	-	1.3	-	7
Walker (JO) ....int	nil	-	2	-	4
Whinney M-Lewis§ ...fin	0.4†	Nov 30	3	2	4.6

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. ‡‡For eight months.

LONDON RECENT ISSUES

EQUITIES

Issue Price	Am'nt Paid up	Latest Renunc Date	1990 High	1990 Low	Stock	Closing Price	+or -	Net Div	Times Cov'd	Gross Yield	P/E Ratio
-	F.P.	-	131	90	ABI Leisure 10p	98		‡4.7	3.3	6.4	6.4
180	F.P.	-	198	170	Faber Prest	175		9.1	3.7	6.9	5.2
‡	F.P.	-	4½	3	Finlan Group 1p	3½		-	-	-	-
†	F.P.	-	75	43	Golden Vale Ir1p	45		ɥQ158%	5.1	3.3	8.2
-	F.P.	-	24	19	JF Fledgeling Jap. Wrnts	19		-	-	-	-
100	F.P.	-	98	75	Jupiter Euro Inv Trust	75		-	-	-	-
-	F.P.	-	38	21	Do. Warrants	23		-	-	-	-
-	F.P.	-	22	20	‡MMI 1p	22		†1.0	2.4	6.1	8.5
†	F.P.	-	17	9½	‡Paramount 2½p	9½		-	-	-	-
†	F.P.	-	53	38	‡Pelican 20p	38		-	-	-	-
100	F.P.	-	90	83	River & Merc Smaller Co	89		k3.75	-	5.6	-
-	F.P.	-	26	18	Do. Warrants	23		-	-	-	-
£100	F.P.	-	102	88	Scan Select. Growth Tst.	89		-	-	-	-
-	F.P.	-	38	28	Do. Warrants	29		-	-	-	-
£100	F.P.	-	96	93	Smaller Co's Inv Tst 50p	93		-	-	-	-
-	F.P.	-	23	21	Do. Warrants	21		-	-	-	-
225	F.P.	-	245	208	‡Standard Platform 10p	215		-	-	-	-

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc Date	1990 High	1990 Low	Stock	Closing Price £	+or -
100	F.P.	-	101	70	‡Bluebird Toys 12pc Cv. Uns. Ln. 2005	74	-1
100p	F.P.	28/9	102p	93p	Perkins Foods 8p (Net) Cv Rd Pf	96p	
‡	F.P.	-	90p	75p	Rank Org. 8.25p (Net) Cv Cm Rd Pf 20p	88p	
100p	F.P.	-	121p	106p	Reckitt & Colman 9.5pc Cv Bds 2005	117½p	+½
100	F.P.	-	110¼	101¼	Tesco Capital 9pc Cnv. Cap. Bd. 2005	107¼	+½
100p	F.P.	-	100¼p	73p	Wace Grp. new 9pc Cnv. Pf. £1	75p	+2
100p	F.P.	-	105p	50p	Wyndham Group 9.375pc Cm.Pf	50p	

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc Date	1990 High	1990 Low	Stock	Closing Price p	+or -
25	Nil	-	¼pm	¼pm	‡ATA Selection	¼pm	
16	Nil	-	2pm	½pm	Cresswich Resources A 5p	½pm	
220	55	23/7	90	33	Ratners	45	
180	Nil	-	27pm	22pm	Sinclair (Wm.) Hldgs	25pm	
5	Nil	-	8pm	6pm	Sycamore Hldgs. 5p	6pm	
250	Nil	-	25pm	6pm	‡Wyevale Garden Cntrs. 50p	6pm	

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. q Earnings based on preliminary figures. s Dividend and yield exclude special payment. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990-91. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1990. N Dividend and yield based on prospectus or other official estimates for 1989/90. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ɥ Issued by tender. ‡ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ‡ Unlisted securities market. * Third Market. ɸ Issued in connection with reorganisation, merger or takeover.

TRADITIONAL OPTIONS

- First Dealings Oct. 15
- Last Dealings Oct. 26
- Last Declarations Jan. 24
- For settlement Feb. 4

For rate indications see end of London Share Service

Calls in ADT, Aviva Petroleum, Cityvision, Countryside Props. and Lonrho.

Morgan Crucible wins early round in Castle fight

By Maggie Urry

MORGAN CRUCIBLE, the industrial materials and electronics group, has won an important round in its legal battle to sue the former directors of and advisers to First Castle Electronics, a company which Morgan Crucible acquired in 1986.

Yesterday the Court of Appeal allowed an application from Morgan Crucible to amend its statement of claim, reversing a ruling in July by Mr Justice Hoffman in the Chancery division. Mr Justice Hoffman held that directors and advisers of a target company "owe no duty of care to bidders to take reasonable care in making financial statements".

The Court of Appeal refused an application to appeal from the defendants, although they could apply to the House of Lords for leave to appeal. Now the trial is expected to go ahead in January next year and will last at least two months. Damages could exceed £50m.

The dispute began after Morgan Crucible paid £48m for First Castle following a contested takeover bid. Morgan Crucible later said that profit forecasts made by the target company during its defence were misleading and in May 1987 it issued the writ against the directors of First Castle, Hill Samuel, First Castle's merchant bank and Judkins, the auditors. Morgan Crucible said that First Castle was worthless.

However, a House of Lords ruling in February in a similar case, concerning Caparo Industries' 1984 bid for Fidelity, decided that Fidelity's auditors had no duty of care to Caparo. Caparo said it would not have bid but for its reliance on Fidelity's accounts, which it said had been misleading.

The House of Lords found that there was no relationship of "proximity" between auditors and a bidder.

It was after that ruling Morgan Crucible asked leave to amend its pleadings to argue that there was "proximity" in its case. The essential difference between the two cases is that Caparo was relying on accounts already published before it bid, while First Castle produced its profit forecast in a defence document after Morgan Crucible's appearance as a bidder.

The fuse that came close to the powder keg

Paul Abrahams takes a look at the rescue package for Davies & Newman

DAVIES & Newman, the parent company of Dan Air, was yesterday rescued from the threat of administration through a novel and imaginative financing package put together by its bankers.

Mr David James, who as part of the package will become chairman of the group at the beginning of November, described the deal as "frontier-breaking" and "unprecedented," adding that it would probably start a trend.

Continuously walking around the press conference room, Mr James delivered an hour-long dramatic monologue to hushed journalists as he described the deal and the company's position and future.

Behind him, Mr Frederick Newman, who has been on the board since 1946 and chairman and managing director since 1966, sat expressionless. He is retiring from the board.

Mr James explained that Davies & Newman's main bank facilities of £40m were due to expire on October 31. It needed further working capital facilities worth £30m if the company's future was to be secured.

"The fuse was close to the powder keg," said Mr James. "At one stage, negotiations with the banks stopped completely. We were getting the 'big no' from them.

"The company needed considerable resources for its known commitments, but all the lenders were well secured with nil exposure. Banks already suffering pain are easier to deal with than those with no exposure."

Under the deal that Mr James has negotiated with the banks, Davies & Newman has extended its facility to £70m until December 31 1991.

In addition to normal banking terms, the company will repay a special fee to the banks amounting to a third of the first £45m of net tangible assets and 10 per cent of the assets above £45m. The minimum fee is £8.75m, representing 12.5 per cent of the facility, and will be due on December 1 1991.

The next £17.5m will be available entirely to the shareholders, and the remaining £18.75m will be divided between the shareholders and the banks with the former receiving two-thirds and the latter one third.

Mr James warned shareholders that no dividend would be paid during 1991.

The deal has been agreed by Lloyds Bank, which owns 75 per cent of the total lending, and most of the remaining banks from the continent and elsewhere. Those banks which have not yet agreed the facility are expected to ratify it shortly.

Mr James said the Newman family, which owns 62 per cent of Davies & Newman, will step aside from direct control of the company. He explained that 52 per cent of the family's shares will be placed in an escrow (an independent holding account) and will not be available for voting.

The family retains an active 10 per cent. The remaining 38 per cent of the shares will maintain full voting rights.

Mr James said he had been given a substantially free hand in the construction of the board.

He has obtained agreement That all members of the existing board as well as non-executive directors will offer their resignations.

The new board will be announced on November 1. Barings will nominate one director to represent outside interests.

The new chairman said the deal would provide the company with financial stability, put potential value back in the company, maintain commercial confidence, protect the interests of secured and insecure creditors and maintain most of employees' jobs.

Mr James rounded off by adding: "If it had not been for the deal today, we would have been telling you the company was bust. Instead, we have demonstrated how to think creatively in this day and age to save a company."

Despite the show's undoubted entertainment value, there was no applause.

See Lex

Tony Andrews

Expressionless chairman – Frederick Newman, who is retiring having been on the board since 1946. The Newman family, which owns 62 per cent of D&N, will step aside from direct control of the company

Metro Radio overcomes last barrier in YRN bid

By Raymond Snoddy

MR NEIL ROBINSON, managing director of Newcastle-based Metro Radio Group was yesterday touring his new Yorkshire empire after winning acceptances covering more than 98 per cent of the Yorkshire Radio Network.

The last barrier to Metro victory in the £16m hostile takeover bid for the company which owns radio stations in Sheffield, Bradford and Hull was overcome yesterday at a YRN extraordinary general meeting.

A resolution to amend the Yorkshire articles of association removing the restriction on anyone owning more than 10 per cent of the company was passed.

The Newcastle company offered one Metro share plus 15p and a full cash alternative of 170p. The cash alternative closed at noon yesterday although the main offer remains open.

The new group creates one of the largest commercial radio organisations outside London.

Mr Robinson immediately announced he was closing down Yorkshire's head office in Sheffield and decentralising the operations of his three new stations and would also be looking to see whether the more than 4m population involved could be covered with fewer than the present 13 transmitters.

During the takeover campaign Mr Robinson criticised Yorkshire's investment in cable radio in Singapore. Mr John Josephs, finance director, will go to Singapore to review the future of that investment. Disposals seems likely.

The deal means a loss of business for BMS, the radio sales company. Metro uses IRS, the Crown Communications sales company.

Former BOC director receives £0.87m pay-off

By Maggie Urry

Mr Desmond O'Connell, who resigned last month from the board of BOC Group, the gases and healthcare company, is to receive a pay-off of $1.7m (£865,000). Mr O'Connell had been head of BOC's healthcare business in the US.

His resignation "to pursue other business interests" was thought to have followed a boardroom row. Mr O'Connell had earlier been seen as a possible successor to Mr Richard Giordano, chairman and chief executive of BOC.

In 1986 Mr O'Connell was made group managing director, but in March this year he was sent back to the US to head BOC Health Care in what seemed a demotion.

SD-Scicon restructures

By Alan Cane

SD-SCICON, the computing services company which reported pre-tax losses of almost £10m at the halfway stage, is being restructured.

The interim loss meant the company was unlikely to do more than break-even this year. Yesterday the share price fell 3p a low of 30p: in mid-1986 the shares stood at 120p.

The measures being implemented include 120 redundancies among the 2,400 UK workforce, and 40 vacancies that will not be filled. This would lead to savings of £4m a year.

Mr Ray Waite, UK managing director, said the measures were designed to give the company a strong base for a return to profitability in 1991.

Losses have been principally due to cost overruns on some 15 fixed price contracts as a result of poor contract pricing.

Exceptional provisions of £15m have been made to cover the overruns and the company has adopted new management procedures to enable it to decide the risk in bidding for a fixed price or systems integration contract at an early stage.

SD-Scicon has been reorganised into five business groups – two of which, products and facilities management and consultancy, are cross-industry.

The company's software products include military computer languages, cashless shopping systems and plant maintenance suites.

The three other divisions will deal with industry [process manufacturing, petrochemicals and discrete manufacturing] – utilities and transport and government business and defence.

SD-Scicon was formed two years ago through the merger of Systems Designers and Scicon.

Preferring a profits desert to the takeover jungle of Burmah

Andrew Bolger examines Foseco, the 58-year-old company under threat from the lubricants group

FOSECO, the target of a £236.8m hostile cash bid this week from Burmah Castrol, the lubricants, fuels and chemicals group, is a distinctive company with an unusual name.

The title of the Birmingham-based speciality chemicals and abrasives producer is a contraction of Foundry Services, the name of the company founded in 1932 by Mr Eric Weiss, a refugee from Hitler's Germany. Sir Eric, who was knighted in 1980, died earlier this summer.

The group he established now has 10,000 employees in more than 35 countries, with three principal businesses:

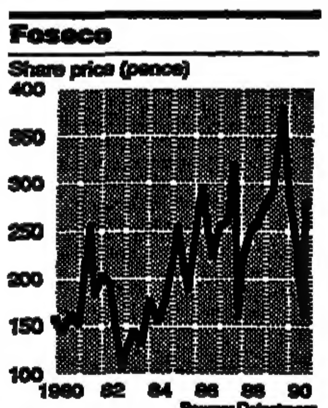
- Metallurgical chemicals, which supplies materials and systems to the foundry, steel and aluminium industries;
- Construction and mining chemicals, which makes industrial floorings, protective coatings, waterproofing systems, timber preservatives and underground roof anchoring systems;
- Abrasives and diamond products, which supplies grinding wheels and diamond and ceramic tools.

In spite of the geographical range of its activities, Foseco has been dogged by its reliance on cyclical customers such as steel and the motor industry. Sharp downturns in 1982 and again in 1986 led to extensive management changes and reorganisations.

Attempts by the company to diversify have met with mixed success.

In 1984 Foseco paid $48m for Gibson-Homans, a US building products company, intending to use it to expand the group's construction chemicals activities in the US. It was sold in 1988 for $17.4m as part of a programme "to dispose of businesses not part of the group's mainstream activities".

After the 1986 profits slump, Mr Tony Chubb took over as chairman and Mr Bob Jordan was appointed chief executive. They succeeded in resuming profits growth by restructuring, but recently the company seems to have regained its reputation for being accident-prone.



In May Mr Chubb warned of difficult trading conditions and last month Foseco reported a 22 per cent drop in pre-tax profits for the first half of the year. Analysts are expecting an even worse second half, with full-year profits £10m down on last year's £46m.

Far from cushioning it, Foseco's wide spread of activities just seemed to bring it a succession of problems. The fierce monetary squeeze in Brazil reduced profits by £1.2m, virtually wiping out first-half earnings from that country.

The Gulf crisis also took its toll, with an £800,000 provision for an unpaid contract in Iraq. Some 3 to 4 per cent of group sales lie in the Middle East.

Celmac, the UK's largest maker of toilet seats, was pushed into losses by the slowdown in the British housing and DIY market.

Shortly after last month's results were announced, Foseco shares slumped to 163p, 149p down from the beginning of the year. Burmah Castrol's cash bid of 275p per share is therefore well timed. However, the fact that Foseco shares immediately jumped to 280p and have remained above the offer price would suggest Burmah Castrol may have to pay more. Foseco shares yesterday closed at 278p, unchanged on the day.

Last year two-thirds of Burmah Castrol's trading profits came from the lubricants side, which is a mature consumer market. It is particularly keen to get its hands on Foseco's metallurgical chemicals business, which last year produced about 55 per cent of the group's turnover and operating profit.

Burmah Castrol believes its marketing skills would improve the profits of the metallurgical chemicals activities. It would put them into a separate business group, releasing operating management from their current responsibilities for controlling the rest of Foseco's business.

The bidder would also amalgamate Foseco's construction chemicals division with Burmah Castrol's sealants operation, which trades under the Expandite brand. It says these two businesses would have an annual turnover of more than £100m.

Burmah Castrol is likely to sell off Foseco's interests in abrasives and diamond products, in bathroom accessories and in water treatment and oil reprocessing, which it believes do not fit with the rest of the group but absorb management resources.

Although formally denied, another motive for the bid might be that it would make Burmah Castrol less attractive to SHV, the Dutch conglomerate which owns 9.1 per cent of the lubricants group.

Foseco's defence is likely to suggest that Burmah Castrol lacks experience in the specialised field of metallurgical chemicals and to claim that there is little overlap between its building chemicals activities and the Expandite sealants business.

Given the bleak trading outlook outlined by Mr Chubb last month, Foseco will be hard put to pull any rabbits out of the hat by way of improved forecasts. However, most analysts seem to agree that the proposed exit multiple of 12 times earnings is too cheap.

As with all contested bids, the final outcome is likely to come down to price. At this early stage in the bid, it looks as though a slightly improved offer would be enough to end Foseco's separate identity.

NEWS DIGEST

Losses rise above £2m at MY Hldgs

MY HOLDINGS, the packaging and consumer products maker which moved from the main market to the USM in July, announced pre-tax losses of £2.05m for the year to August 31. For the eight months ended August 1989 losses were £631,000.

Mr Paul Marks, chairman, said that the group's markets had been adversely affected by a number of factors and the current economic environment had made recovery extremely difficult.

Current projections, however, pointed to a continuing improvement in the group's trading position, he added.

Losses per share worked through at 3.68p (1.28p). There is no final dividend proposed so the total is an unchanged 0.55p.

Turnover amounted to £47.52m (£37.42m) and the pre-tax result was after interest costs of £2.06m (£631,000). There was a £706,000 (£513,000) extraordinary loss.

The group's ultimate holding company is South Africa-based Malbak.

Harmony Leisure £1m in the red

Losses at Harmony Leisure Group, the USM-quoted pubs and restaurants concern, widened from £128,000 to £1.02m pre-tax for the 12 months to end-March 1990.

The dividend for the year is being omitted – shareholders received 0.168p previously. Loss per share worked through at 3.07p (0.22p).

The loss was struck after taking account of an exceptional provision of £604,000 (nil) of which £370,000 related to unclassified accounting entries together with the cost of reconstructing the accounting records, £104,000 arising from the disposal of a public house, £30,000 compensation to a director for loss of office and a £100,000 provision in respect of a claim by the Inland Revenue.

An extraordinary charge of £369,000 related mainly to an Inland Revenue claim for certain liabilities relating to an earlier year.

Turnover for the year improved from £8.17m to £9.39m. Interest charges accounted for £314,000 (£62,000).

The directors said the company's estate provided asset backing approaching 40p per share. They added that turnover was currently running 9.5 per cent above last year despite the recession.

Higher tea prices help Linton Park

Linton Park, the tea, coffee and citrus fruits formerly known as Eastern Produce Holdings, lifted pre-tax profits by 61 per cent, from £2.62m to £4.22m, in the six months to June 30. The results are not strictly comparable, however, due to two Malaysian subsidiaries changing their year ends.

The increased profitability was principally due to improved productivity and higher prices obtained by the tea estates, the directors said.

An unchanged interim dividend of 2.5p is declared, payable from doubled earnings per share of 13.6p (6.6p).

Although turnover fell £10m to £61.61m operating profits improved to £5m (£2.6m). There was a £2.26m (£755,000) extraordinary credit relating to the disposal in April of the Angolan operations to a Portuguese company in which the group retains a 25 per cent shareholding.

Chillington more than halved to £1.2m

Reduced pre-tax profits of £1.2m were reported by Chillington Corporation for the half year to June 30. The previous figure was £2.92m.

The company, which has interests in engineering, commodities, plantations, property and investment, also announced a proposed open offer of 12 per cent convertible unsecured loan stock 2001 to raise about £4.94m.

The main purpose of the issue, which is underwritten, is to reduce short-term bank borrowings built up as a result of recent investments.

Although current trading conditions were difficult the directors remained confident of the long-term potential, particularly in the overseas plantation interests. The results for the UK companies were disappointing but the overseas operations performed well, they said.

An interim dividend of 2p (3.25p) has been declared and in the absence of any further deterioration in trading conditions the directors intend to recommend a final of at least 3p.

Turnover in the half-year fell from £33.92m to £31.91m.

JO Walker runs up £22,000 loss

JO Walker & Co, the timber, wallboards and plywood importer which experienced a sharp profits setback for the 1989 year, fell £22,000 into the red at the pre-tax level for the six months to end-June.

The loss, struck on a turnover of £7.46m (£8.29m), compared with previous profits of £49,000. Loss per share emerged at 2.7p (earnings 3.9p) and the interim dividend is being cut by 1p to 2p.

The directors blamed the downturn on the continuing decline in the housing market, a deepening general recession and high interest rates.

Profits for 1989 totalled £56,000 (£874,000). The final dividend was cut by 2.5p leaving shareholders with a 4p (7.5p) total.

River & Mercantile Geared slows

Net asset value for both the ordinary income and preference capital shares of River & Mercantile Geared Capital and Income Trust 1999 fell over the 12 months to September 30. The income figure was 55.89p, against 69.71p a year earlier with the capital figures being 23.07p and 33.88p.

In the six months to the end of September net revenue was £480,000 (£599,000) for earnings per ordinary share of 3.48p (4.28p).

There is a second interim dividend of 1.4p (1.3p) making 2.8p (2.6p) for the six months.

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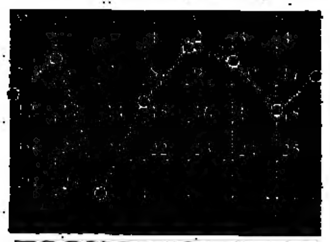

ECONOMIC DIARY

TODAY: Malaysian general election.

TOMORROW: Mr Edward Heath, former British prime minister, will meet Mr Saddam Hussein, Iraqi president. Mr Fernando Collor de Mello, Brazilian president, visits Portugal.

MONDAY: Cyclical indicators for the UK economy (September). Balance of payments current account and overseas trade figures (September). US monthly budget statement. European Community consumers council meeting in Luxembourg. Start of two-day meeting of the European Community general affairs council. European parliament in session (until October 26). European Community experts publish report on state of Soviet economy. Irish and UK ministers at Irish Sea conference in the Isle of Man. Mr David Levy, Israeli foreign minister, visits Paris. European Free Trade Association ministerial meeting in Geneva on negotiations with European Community (until October 23).

TUESDAY: Building societies monthly figures (September). Financial Times holds conference "Buy-outs – their future" at Hotel Inter-Continental, London.

WEDNESDAY: Index of production and construction for Wales (second quarter-provisional). New construction orders (August-provisional). Bricks and cement production and deliveries (third quarter-provisional). US durable goods (September). General elections in Pakistan. Nato nuclear planning group meets. Conference of six Balkan foreign ministers in Tirana, the first multilateral conference at this level to be held in Albania (also October 25).

THURSDAY: New earnings survey part C; analyses by industry. Quarterly house purchase statistics (September). Energy trends (August). Indian Supreme Court hears main petition against government plan to increase jobs for lower caste Hindus, which has spawned weeks of violent protest.

FRIDAY: Engineering sales and orders at current and constant prices (August). Warsaw Pact disarmament commission meeting in Prague (and October 27).

FT-ACTUARIES SHARE INDICES

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Friday October 19 1990 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1990 to date	Thu Oct 18 Index No.	Wed Oct 17 Index No.	Tue Oct 16 Index No.	Year ago (approx) Index No.	1990 High	1990 Low	Since Compilation High	Since Compilation Low
1 CAPITAL GOODS (196)	709.01	.....	15.66	6.70	7.81	31.33	709.43	703.02	708.83	879.35	960.80 4/1	658.43 24/9	1038.07 16/7/87	50.71 13/12/74
2 Building Materials (26)	963.31	-0.5	15.23	6.33	8.08	39.70	967.86	959.65	967.16	1037.00	1188.21 3/1	812.99 20/9	1381.08 16/7/87	44.27 11/12/74
3 Contracting, Construction (35)	1157.23	+0.1	17.55	6.89	7.44	56.07	1155.77	1145.02	1153.04	1404.07	1621.44 4/1	993.11 24/9	1951.50 16/7/87	71.48 2/12/74
4 Electricals (10)	1862.59	-0.2	15.10	7.23	8.10	84.91	1867.23	1863.41	1880.63	2522.08	2751.15 4/1	1805.83 24/9	3040.80 8/9/89	84.71 25/6/62
5 Electronics (26)	1566.20	.....	10.73	5.47	12.74	56.74	1566.32	1557.66	1547.68	1947.07	2044.72 9/1	1486.79 24/9	2308.22 19/5/89	1229.01 8/10/85
6 Engineering-Aerospace (8)	416.82	+1.4	16.17	5.79	7.44	15.17	411.01	407.75	409.20	0.00	502.42 13/6	399.79 24/9	502.42 13/6/90	399.79 24/9/90
7 Engineering-General (47)	361.20	-0.9	16.59	7.19	7.25	16.85	364.57	363.95	365.66	0.00	505.10 15/6	361.20 19/10	505.10 15/6/90	361.20 19/10/90
8 Metals and Metal Forming (8)	401.77	.....	28.36	8.31	4.29	17.02	401.57	398.56	405.38	452.34	515.57 4/1	384.09 24/9	596.67 9/10/87	49.65 6/1/75
9 Motors (13)	268.83	-1.0	19.01	8.83	6.12	14.41	271.59	268.41	273.92	351.54	403.90 4/1	260.41 24/9	411.42 13/10/87	19.91 6/1/75
10 Other Industrial Materials (23)	1180.20	+0.3	14.27	6.91	8.10	60.14	1176.42	1156.96	1177.02	1638.75	1774.64 3/1	1105.20 20/9	1881.53 18/8/89	277.55 15/1/81
21 CONSUMER GROUP (176)	1201.03	+0.2	10.29	4.30	12.00	30.57	1198.42	1185.63	1188.21	1232.55	1357.03 3/1	1121.42 24/9	1417.92 4/9/89	61.41 13/12/74
22 Brewers and Distillers (22)	1504.48	-0.1	10.39	3.93	11.65	33.61	1506.30	1480.70	1477.13	1413.26	1650.55 20/7	1369.31 6/3	1650.55 20/7/90	69.47 13/12/74
25 Food Manufacturing (18)	1007.53	+0.2	11.52	4.85	10.70	28.13	1005.42	1002.16	1011.81	1099.23	1184.41 3/1	959.38 24/9	1220.42 4/9/89	59.67 11/12/74
26 Food Retailing (17)	2358.53	+0.6	10.12	3.54	12.59	50.82	2345.28	2338.06	2340.44	2288.52	2617.14 27/7	2188.04 30/4	2722.30 5/9/89	54.25 11/12/74
27 Health and Household (16)	2431.66	+0.5	7.27	3.06	16.25	48.83	2420.52	2366.27	2376.25	2371.88	2795.49 4/1	2166.10 24/8	2795.49 4/1/90	175.38 28/5/80
29 Leisure (32)	1194.60	-0.6	12.53	5.43	9.65	39.79	1201.56	1188.06	1192.32	1564.58	1717.22 9/1	1117.43 24/9	1845.77 8/9/89	54.83 9/1/75
31 Packaging & Paper (12)	482.49	-0.6	13.34	7.21	9.21	22.95	485.57	485.71	487.33	533.53	625.01 17/7	470.91 28/9	739.48 16/7/87	43.46 6/1/75
32 Publishing & Printing (14)	2854.59	+0.6	12.57	6.57	9.96	124.64	2837.04	2821.20	2802.25	3478.72	3853.61 4/1	2764.16 28/9	5070.66 5/10/87	55.08 6/1/75
34 Stores (33)	810.13	+0.3	10.89	4.55	11.95	18.58	807.34	806.67	807.60	770.57	866.32 13/6	690.43 27/4	1160.58 29/7/87	52.63 6/1/75
35 Textiles (12)	418.28	+1.3	14.27	8.49	8.89	20.31	412.97	407.51	409.42	507.52	554.37 4/1	388.59 24/9	914.52 2/10/87	62.66 11/12/74
40 OTHER GROUPS (107)	967.84	+0.5	12.83	6.06	9.48	32.00	963.07	954.41	966.27	1116.98	1233.52 3/1	932.53 24/9	1233.52 3/1/90	58.63 6/1/75
41 Agencies (16)	1028.98	+1.1	10.32	3.23	11.74	22.25	1018.13	1010.83	1028.19	1500.10	1757.73 15/6	1010.83 17/10	1795.57 17/7/87	870.35 4/12/87
42 Chemicals (24)	1001.93	+0.8	13.26	6.65	8.91	46.81	993.73	988.20	995.19	1205.31	1335.87 14/6	940.57 24/9	1545.46 5/10/87	71.20 1/12/74
43 Conglomerates (15)	1322.39	-0.1	12.84	7.57	9.39	38.45	1324.12	1290.15	1313.39	1590.43	1722.31 14/6	1234.77 28/9	1819.46 11/8/89	975.19 10/11/87
44 Transport (14)	1874.75	+0.8	12.95	5.60	9.78	65.20	1859.43	1830.93	1859.95	2161.86	2458.00 4/1	1740.24 28/9	2554.69 12/7/89	90.80 29/6/62
46 Telephone Networks (3)	1055.61	+0.4	12.40	5.18	10.50	26.09	1051.90	1054.88	1072.94	1090.86	1290.72 3/1	1017.41 26/9	1290.72 3/1/90	517.92 30/11/84
47 Water (10)	1919.24	-0.9	15.86	7.06	7.10	68.12	1937.63	1931.95	1925.03	0.00	2079.08 16/2	1820.20 1/5	2079.08 16/2/90	1820.20 1/5/90
48 Miscellaneous (25)	1496.87	+1.5	12.51	6.02	9.28	61.49	1475.10	1457.73	1467.38	1835.17	1981.35 3/1	1445.37 24/9	2087.06 11/7/89	60.39 6/7/75
49 INDUSTRIAL GROUP (479)	1009.46	+0.2	12.24	5.36	10.01	32.22	1007.03	997.16	1003.78	1123.30	1234.94 3/1	950.55 24/9	1273.71 5/9/89	59.01 13/12/74
51 Oil & Gas (21)	2293.77	+0.1	9.76	5.44	13.38	85.44	2290.67	2296.64	2320.20	2160.56	2528.70 3/8	2111.34 30/4	2528.70 3/8/90	87.23 29/5/62
59 500 SHARE INDEX (500)	1114.77	+0.2	11.86	5.38	10.42	36.51	1112.27	1103.51	1111.46	1210.42	1338.65 3/1	1068.52 28/9	1369.88 16/7/87	63.49 13/12/74
61 FINANCIAL GROUP (103)	687.80	+0.2	–	6.91	–	31.79	686.50	688.08	690.56	746.31	869.67 3/1	621.68 24/9	896.67 13/10/87	55.88 13/12/74
62 Banks (9)	733.58	-0.4	22.30	7.85	5.87	42.00	736.43	733.85	738.30	744.20	918.30 2/2	650.43 24/9	918.30 2/2/90	62.44 12/12/74
65 Insurance (Life) (7)	1294.60	+1.2	–	5.93	–	54.97	1279.68	1301.96	1318.24	1222.55	1519.19 29/6	1220.17 1/5	1519.19 29/6/90	44.88 2/1/75
66 Insurance (Composite) (6)	589.25	+1.1	–	7.20	–	27.35	582.96	596.90	594.65	637.81	763.09 2/1	526.46 24/9	768.11 29/12/89	43.96 13/12/74
67 Insurance (Brokers) (8)	844.03	+1.7	8.95	7.61	14.61	41.94	830.29	809.70	797.66	1914.10	1194.74 4/1	757.70 24/9	1399.56 17/7/87	65.86 16/12/74
68 Merchant Banks (7)	345.41	+0.3	–	5.93	–	12.75	344.50	344.08	344.87	392.12	502.02 8/2	319.38 24/9	547.59 12/10/87	31.21 7/1/75
69 Property (45)	926.26	-0.4	8.16	5.26	16.19	25.08	930.32	921.54	925.22	1162.97	1242.53 4/1	834.72 24/9	1398.87 5/9/89	56.01 20/4/65
70 Other Financial (21)	246.27	+0.2	11.54	7.09	11.14	11.62	245.87	245.20	245.06	326.06	350.59 4/1	233.78 1/10	603.48 16/7/87	33.29 17/12/74
71 Investment Trusts (66)	1001.10	+0.2	–	3.96	–	25.03	998.61	991.08	995.18	1175.39	1323.81 4/1	954.21 28/9	1323.81 4/1/90	71.12 13/12/74
91 Overseas Traders (5)	1142.21	+1.5	12.52	8.09	9.51	59.65	1125.47	1109.68	1108.21	1282.21	1614.04 3/1	1079.53 24/9	1614.04 3/1/90	97.37 6/1/75
99 ALL-SHARE INDEX (674)	1010.12	+0.2	–	5.57	–	34.93	1007.82	1001.31	1007.88	1097.64	1226.83 3/1	962.09 24/9	1238.57 16/7/87	61.92 13/12/74

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Oct 18	Oct 17	Oct 16	Oct 15	Oct 12	Year ago	1990 High	1990 Low	Since Compilation High	Since Compilation Low
FT-SE 100 SHARE INDEX§	2089.0	+6.4	2100.1	2071.2	2082.6	2068.0	2083.6	2101.9	2100.4	2179.1	2463.7 3/1	1990.2 28/9	2463.7 3/1/90	986.9 23/7/84

FIXED INTEREST

PRICE INDICES	Fri Oct 19	Day's change %	Thu Oct 18	xd adj. today	xd adj. 1990 to date
British Government					
1 Up to 5 years	117.54	-0.03	117.57	–	10.24
2 5-15 years	121.36	-0.06	121.44	–	11.95
3 Over 15 years	122.83	-0.04	122.88	–	9.84
4 Irredeemables	141.77	+0.20	141.49	–	8.85
5 All stocks	122.09	-0.04	122.14	–	11.27
Index-Linked					
6 Up to 5 years	154.00	+0.07	153.90	–	3.04
7 Over 5 years	137.89	+0.13	137.71	–	3.45
8 All stocks	138.99	+0.12	138.82	–	3.42
9 Debentures & Loans	101.90	-0.04	101.94	–	9.20
10 Preference	73.13	+0.04	73.10	–	5.33

AVERAGE GROSS REDEMPTION YIELDS		Fri Oct 19	Thu Oct 18	Year ago (approx.)	1990 High	1990 Low
British Government						
1 Low	5 years	10.69	10.66	9.66	12.36 2/5	10.16 2/1
2 Coupons	15 years	10.97	10.93	9.66	11.94 30/4	9.58 2/1
3	25 years	10.97	10.93	9.66	11.85 30/4	9.52 2/1
4 Medium	5 years	11.68	11.64	11.01	13.58 2/5	11.03 2/1
5 Coupons	15 years	11.38	11.37	9.99	12.45 27/4	9.97 2/1
6	25 years	11.21	11.21	9.62	11.98 27/4	9.65 2/1
7 High	5 years	11.78	11.73	11.13	13.67 2/5	11.17 2/1
8 Coupons	15 years	11.62	11.60	10.21	12.76 27/4	10.17 2/1
9	25 years	11.49	11.50	9.79	12.27 27/4	9.78 2/1
10 Irredeemables	†	11.05	11.07	9.59	11.83 30/4	9.66 4/1
Index-Linked						
11 Inflation rate 5%	Up to 5yrs.	4.34	4.34	4.00	5.48 20/7	3.46 5/10
12 Inflation rate 5%	Over 5 yrs.	4.41	4.41	3.71	4.43 17/10	3.60 4/1
13 Inflation rate 10%	Up to 5 yrs.	3.06	3.05	3.12	4.37 9/7	2.32 5/10
14 Inflation rate 10%	Over 5 yrs.	4.21	4.21	3.53	4.23 17/10	3.43 4/1
15 Debs &	5 years	13.90	13.26	13.59	16.70 30/4	13.01 15/1
16 Loans	15 years	12.84	12.77	12.22	14.48 26/4	12.27 12/1
17	25 years	12.41	12.43	11.68	13.89 4/5	11.99 2/1
18 Preference	†	12.97	12.98	10.60	13.13 5/10	10.87 2/1

§Opening index 2079.7; 9 am 2071.8; 10 am 2078.5; 11 am 2089.4; Noon 2091.4; 1 pm 2089.8; 2 pm 2092.6; 2.30 pm 2097.2; 3 pm 2096.5; 4.10 pm 2089.7; (a) 2.44pm (b) 9.04am

Equity section or group	Base date	Base value	Equity section or group	Base date	Base value	Equity section or group	Base date	Base value
Engineering - Aerospace	29/12/89	486.00	Other Industrial Materials	31/12/80	287.41	Food Retailing	29/12/67	114.13
Engineering - General	29/12/89	486.00	Health/Household Products	30/12/77	261.77	Insurance Brokers	29/12/67	96.67
Water	29/12/89	1968.45	Other Groups	31/12/74	63.75	All Other	10/4/62	100.00
Agencies	31/12/86	1114.07	Overseas Traders	31/12/74	100.00	British Government	31/12/75	100.00
Conglomerates	31/12/86	1114.07	Industrial Group	31/12/70	128.20	Do. Index-linked	30/4/82	100.00
Telephone Networks	30/11/84	517.92	Other Financial	31/12/70	128.06	Debs & Loans	31/12/77	100.00
Electronics	30/12/83	1646.65	Food Manufacturing	29/12/67	114.13	Preference	31/12/77	76.72
						FT-SE 100 Index	30/12/83	1000.00

† Flat yield. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 35p.
CONSTITUENT CHANGE: Name change (16/10/90): European Home Products (34) is now Scholl.

LONDON TRADED OPTIONS

THE LONDON stockmarket's inability to follow Wall Street higher yesterday hung over futures and options trading. Instead, worries about the UK economy and the government's standing after the by-election defeat in Eastbourne dominated sentiment.

The equity futures market had begun strongly following the gains in the US during the previous session and hopes that London would follow suite. But the warning by Mr John Major, the chancellor of the exchequer, that next year could be tough for the economy worried cash equity dealers.

Furthermore, the weakness in the currency and gilt markets after the Eastbourne by-election result made shares lag behind the futures market.

Another strong opening on Wall Street gave a fillup to the equity market, which briefly followed futures higher. But when US shares moved off their best levels the rally in the futures market collapsed.

The December FT-SE 100 index finished at 2,127, down 12.5 points on the day. December's premium over the cash index finished at 38 points from 52 and compared with fair value of 40.

In the traded options market, dealing was quiet. A total of 30,512 contracts changed hands, little changed on the day. Calls accounted for 17,444 and puts 13,068 contracts.

Cable & Wireless was the most active stock option with busybuying of calls and puts. C&W traded 2,326 contracts, of which 1,374 were calls and 952 were puts. The January 500 calls were the most popular.

Bid speculation continued to fuel interest in STC. UBS Phillips & Drew sold the July 300 calls and puts. A total of 2,047 contracts traded and was evenly divided between calls and puts. The July 300 calls were the busiest. British Airways traded 1,958; Rolls-Royce 1,882; and GrandMet 1,196.

Option		Calls Jan	Calls Apr	Calls Jul	Puts Jan	Puts Apr	Puts Jul
Alld Lyons (*478)	420	74	90	92	5½	11	15
	460	45	61	65	15	22	27
	500	20	40	43	36	40	45
ASDA (*129)	120	18	22	27	5	9	10
	130	11	16	20	9½	12	12
	140	7	9	13	15	17	19
Brit. Airways (*146)	130	23	27	28	5	8	9
	140	18	23	21	9	11	15
	160	9	10	–	22	24	–
Trafalgar (*193)	180	13	37	43	14	22	27
	200	16	27	30	25	32	37
	220	8	18	–	39	45	–
Utd. Biscuits (*314)	300	33	40	44	9	14	16
	330	16	23	28	24	28	29
	360	6	12	–	47	48	–
Unilever (*650)	650	45	64	80	35	42	47
	700	22	40	–	62	70	–
	750	10	23	–	102	107	–
[illegible]							
Salisbury (*308)	300	26	36	40	10	12	15
	330	9	21	26	28	29	30
Shell Trans. (*449)	420	50	58	70	7	13	16
	460	26	34	45	20	30	35
	500	11	19	28	50	53	58
Storehouse (*138)	120	24	28	31	3½	4	6
	130	17	21	24	5	8	10
	140	11	15	19	10	12	14

Option		Calls Nov.	Calls Jan.		Puts Nov.	Puts Jan.	
Ferranti (*18)	20	1½	2½	–	3½	6½	–
	25	¼	1¼	–	9	10½	–

Option		Calls Dec	Calls Mar	Calls Jun	Puts Dec	Puts Mar	Puts Jun
Abbey Nat. (*216)	200	23	33	36	4	10	11
	220	12	18	21	10	14	18
Amstrad (*62)	60	6	10½	14	4½	8	9
	70	2½	6	9½	10	13	14
Barclays (*357)	357	27	–	–	17	–	–
	360	–	38	45	–	31	32
Blue Circle (*211)	200	23	32	34	6	12	16
	220	11	22	24	17	22	27
British Gas (*216)	200	23	26	35	3	6½	7½
	220	9½	15	24	9	14	15
[illegible]							
Reuters (*705)	700	67	97	120	44	70	75
	750	46	78	–	77	98	–

FT-SE INDEX								
[illegible]								
Dec	30	40	53	69	89	117	153	190
Jan	40	50	63	78	100	127	163	199
Jan †	62	–	87	–	125	–	182	–

§- Suspended
October 19 Total Contracts 30,512
Calls 17,444 Puts 13,068
FT-SE Index Calls 1,753 Puts 4,435
Euro FT-SE Calls 1 Puts 127
*Underlying security price. † Long dated expiry months

Asahi Breweries to buy 17% of Elders for A$759m

By Kevin Brown in Sydney

HARLIN Holdings, the private company which owns 56 per cent of Elders IXL, yesterday confirmed the sale of a large stake to Asahi Breweries of Japan, subject to the approval of the Australian Foreign Investment Review Board.

Harlin had planned to sell a 19.9 per cent stake in Elders to Asahi for A$2.15 per share, totalling A$955m (US$736m), but was forced to renegotiate the deal after the Elders share price fell to just over A$1.

Under the revised deal, Asahi will buy 17 per cent of Elders from Harlin at A$2 per share, totalling A$759m, and will acquire a further 2.9 per cent in the market. Elders shares closed 11 cents up last night at A$1.35.

Asahi has also agreed to an escalation clause worth an extra 5 cents per share to Harlin if Elders' share price exceeds A$1.85 over 20 consecutive trading days before the end of June 1992.

The bonus payment will increase to 10 cents if the share price tops A$2, and 15 cents if it exceeds A$2.15.

Harlin paid an average of A$2.50 for its Elders shareholding, indicating that its book losses on the deal will range from A$190m to A$133m, depending on the market price over the next two years.

Harlin said the deal would "stabilise the company's financial position," which has been in jeopardy since it raised more than A$2.8bn in debt to finance the takeover.

Harlin is expected to retain around A$100m of the proceeds of the share sale to meet debt service charges.

The balance will be used to reduce Harlin's senior debt of around A$1.8bn to a syndicate including Hongkong Bank Australia, National Australia Bank and Bank of Tokyo.

The biggest remaining creditor is BHP, Australia's biggest company, which invested A$850m in Harlin by way of preference shares.

BHP said last night that it believed its investment was secure.

Analysts said the revised deal should help to support Elders' share price, which is also benefiting from the qualified approval announced by the UK government earlier this week for a pubs-for-breweries swap between Grand Metropolitan and Courage, Elders' UK subsidiary.

Mr John Elliott, chairman of both Elders and Harlin, recently resigned as chief executive of Elders after the failure of plans to restructure the group and return a capital payment of A$1bn to shareholders.

Elders is continuing its efforts to dispose of non-core assets and refocus itself as a pure brewing company based on its Fosters brand in Australia, Courage in the UK, and its interest in Molson in Canada.

Daimler to put DM6bn into truck building

By Jack Semple in Monaco

DAIMLER-Benz of Germany, the world's leading truck maker, is planning to invest DM6bn ($4bn) in its commercial vehicle operations over the next five years, Mr Manfred Werner, deputy chairman of Mercedes-Benz, the group's vehicle subsidiary, said yesterday.

The company expected to raise its share of the European truck market (above 6 tonnes gross vehicle weight) by 3 percentage points to 25 per cent this year, he told a transport conference in Monaco.

In the first eight months of the year Mercedes-Benz lifted its truck sales in western Europe by 8 per cent despite a 3 per cent fall in the overall market. Its growth had been due to a surge in sales in Germany.

The investment plan included DM400m to be spent in the US and DM1bn in Brazil, said Mr Werner. The company would also invest heavily in the assembly of a new van in Spain, and in plants in Turkey and south-east Asia.

Some DM600m had been earmarked for building an assembly plant for light and medium trucks near Berlin in eastern Germany. A further DM400m had been marked as working capital for the project.

Eni censured in struggle for Enimont

By Haig Simonian in Milan

ENI, ONE of the two adversaries in the struggle for control of Enimont, Italy's public-private chemicals joint venture, has been reprimanded by the government for not playing by the rules.

Eni, the giant publicly-owned energy and chemicals group, which holds 40 per cent of Enimont's shares, allowed itself undue licence in drawing up its detailed conditions for selling its stake to Montedison.

The precise procedure for divorcing Enimont's fractious partners has been the subject of a lengthy round of shuttle diplomacy between the two shareholders and Mr Franco Piga, the Minister of State Shareholdings.

Under the complex procedure finally agreed, Eni has a set period in which to propose terms for the sale of its Enimont stake to Montedison.

However, in its sale proposals, submitted to Mr Piga for final approval earlier this week, the company has markedly exceeded the criteria established by adding new appendices and conditions.

The inclusions involve a list of Enimont subsidiaries which Eni insists must remain 51 per cent owned by the eventual buyer. Eni also called on Montedison to place the shares concerned in the hands of a trustee, further limiting its scope to restructure the company.

Moreover, Eni added the right to compete with Enimont head on should it fall into Montedison's hands, and imposed tough additional clauses regarding arbitration procedures should its conditions not be met.

The inclusions, which according to some reports were added after Eni's main board agreed a document much more in line with the government's original requirements, have provoked a severe slap over the knuckles for Eni.

According to some reports, some of the conditions added had been specifically rejected by Eni's board, putting an embarrassing spotlight on Mr Gabriele Cagliari, its chairman.

Eni's official response has been that its document was in line with the government's criteria.

However, at a board meeting yesterday, the company shifted its ground, watering down both its conditions on transferring shares to a trustee and on arbitration.

Montedison has remained uncharacteristically mute during the affair.

● Separately, Mr Sergio Cragnotti, Enimont's chief executive, presented the company's unions with its new business plan. As expected, the proposals include the acquisition of Montedison's Himont and Ausimont subsidiaries, and also warn of further job losses linked to rationalisation.

Fermenta falls despite sales lift

By John Burton in Stockholm

FERMENTA, the Swedish chemical, pharmaceutical and financial group, suffered a loss of SKr35m ($6.23m) in profits after financial items for the first eight months of 1990, a drop of 119 per cent, due to losses on financial investments. Sales increased by 32 per cent to SKr4.8bn.

The credit losses, which amounted to SKr118m, were mostly incurred by Consensus, the stock brokerage arm of Independent/Infina, the finance company controlled by Fermenta. Consensus was sold last week to Ostgota Enskilda Banken, a small Swedish bank, for an undisclosed sum.

In the past two years Fermenta has concentrated on expanding its financial services business, which now accounts for 60 per cent of sales, while reducing its activity in the chemical and antibiotics sector, its original business.

While profits for financial services plunged during the eight-month period, the chemicals and pharmaceutical sector reported a slight profit rise of 4 per cent to SKr203m. But Fermenta is proceeding with plans to sell SDS Enterprises and Fermenta Animal Health, its two US subsidiaries that account for two thirds of the sector's sales. SDS was purchased this week by Ishihara Sangyo, the Japanese chemicals concern, for $300m.

Troubles have deepened for Fermenta in the financial services sector since August. A liquidity squeeze on several leading Swedish finance companies, including Independent/Infina, forced the sale of the unit's Finax credit card operations for SKr200m to increase its risk capital base, which was further strengthened by a SKr200m capital injection from Fermenta.

Fermenta said it was unable to make a forecast for the year due to the extensive changes in its financial services operations and the sale of SDS and Animal Health.

Industrivarlden, the Swedish investment company that is the main shareholder in Fermenta, announced yesterday that it was increasing its voting stake in Fermenta to 48.7 per cent from 43 per cent.

Holiday group seeks protection

By Lucy Kellaway in Brussels

EUROACTIVIDADE, a holiday village and golf course company based in Liechtenstein, has filed for protection from the bankruptcy courts, and has had its shares suspended for the third time in the past few weeks.

The decline of the company, which was launched on the Brussels market just two years ago amid considerable fanfare has come as a shock to investors, who thought it was still doing well, with a turnover of some SFr92m ($73m) for 1989. The company recently announced plans to invest some SFr500m in a wide range of European leisure complexes.

Euroactividade is 23.7 per cent owned each by Swissair and by the Danish company Maersk, following a SFr100m deal announced in May last year that was billed as creating a market leader in the leisure sector in Europe.

The company's troubles have been increased by a row between the founder Mr Klaus Moeller and the Swiss Huber Holding company, which recently bought Mr Moeller's stake, and had assumed the position of manager of the leisure group.

Huber is trying to return to Mr Moeller the stake it had bought on the grounds that it had not been aware of the state of the company at the time, and had paid too much.

Neither side can agree on who owns the stake, with each claiming that it belongs to the other.

The shares, which last year were trading at SFr72, were suspended at SFr10. For the time being the company is being managed by Mr Rolf Krahenbuhl, president of Swissair Beteiligungen.

American Brands sees record

By Karen Zagor in New York

AMERICAN Brands, the consumer products and insurance group whose products range from tobacco to hardware, yesterday reported sharply higher third quarter earnings and said it expects record results for the year.

In the three months ended September 30, the Old Greenwich, Connecticut, based company had net income of $230.8m, up 39 per cent from $166.4m a year earlier.

Earnings per share rose 36 per cent to $1.09 from 80 cents on a fully diluted basis, after being adjusted for a two-for-one stock split in October.

Revenues in the three months were 26 per cent higher at $3.87bn.

Strong gains in operating income from the company's tobacco, office products and distilled spirits businesses more than offset operating losses from its life insurance and office products operations.

The results in the latest quarter include a net gain of $31m or 16 cents a share on the sale of Theodorus Niemeyer, a Netherlands-based tobacco company. The company also benefited from foreign exchange translations, particularly from sterling, which added 10 cents a share to third-quarter earnings.

In the first nine months, American Brands' net earnings rose 27 per cent to $584.6m or $2.79 a fully-diluted share from $458.8m or $2.22 a year earlier. Revenues rose 11 per cent to $10bn from $9.03bn.

Operating income from tobacco jumped 46 per cent in the quarter to $360.2m on revenues of $3.55bn. Growth was led by the UK-based Gallaher Tobacco, which has about 46 per cent share of the UK market through its Benson & Hedges, Silk Cut and Berkeley brands.

MAN to pay sharply higher dividend

By Andrew Fisher in Frankfurt

MAN, the German truck, printing machinery, and engineering group, yesterday said it would increase its dividend for the year to June 30, after a 29 per cent increase in net profits to DM328m ($219m).

Shareholders will receive DM11 a share compared with DM8 for 1988-89. The shares issued earlier this year during MAN's DM580m rights will rank for half the distribution.

MAN said business continued to be favourable. New order inflow and turnover were at least 10 per cent higher. The figures exclude KM-Kabelmetal, the copper products producer which is being sold to Societa Metallurgica of Italy for DM552m; but include recently acquired companies, mainly Steyr Nutzfahrzeuge, the Austrian truck manufacturer, and Diag, the German machinery company.

Earlier this week, MAN Nutzfahrzeuge, the group's commercial vehicles subsidiary, announced a 45 per cent jump in net profits for 1989-90 to DM158m.

Anglovaal turnover and earnings strongly up

By Philip Gawith in Johannesburg

ANGLOVAAL, the diversified South African conglomerate with mining, industrial and financial interests, increased consolidated turnover and earnings significantly in the year to June.

Turnover rose 40 per cent to R6.72bn ($2.65bn) and attributable earnings were 30 per cent higher at R238m. Earnings per share rose 24 per cent to 530 cents and the dividend was 21 per cent higher at 92 cents per share. Average per annum growth in earnings and dividends per share over the past five years has been 28 per cent and 21 per cent respectively.

The most striking feature of the group's results is the large decline in the contribution of gold mining to group earnings – down from 16 per cent to 5 per cent. This reflects the difficult times the industry is experiencing which saw profits of the group's four mines decline from R231m to R161m.

Against this is the leap from 14 to 31 per cent in contribution to earnings from "other mining and metals". This is largely accounted for by Associated Manganese Mines whose earnings leapt 133 per cent to R160m in the year to the end of December on the back of increased volumes and prices for ferrochrome and manganese and iron ore. A substantial fall in the ferrochrome price, however, saw earnings fall to R50m from R87m in the six months to June 1990.

Anglovaal Industries, which contributed 56 per cent of group earnings, increased its earnings by 26 per cent to R208m. The other highlight of the year was the formation of a life-insurance group, Anglovaal Insurance Holdings, with assets of R500m.

Mr Basil Hersov, chairman, said the challenge in the year ahead would be to maintain earnings on the increased share capital resulting from an R822m rights offer.

New York Times down to $9.2m in third quarter

By Alan Friedman in New York

A CONTINUING fall in advertising combined with increased depreciation charges for a new production centre to cause a sharp decline in third-quarter profits at the New York Times Company.

NYT's third-quarter net income from continuing operations fell to $9.2m (12 cents a share) from $16.4m (21 cents a share) in the same period last year.

Third-quarter operating profit from the group that includes The New York Times, 35 regional newspapers and a one-third stake in the International Herald Tribune dropped to $19.6m from $34.9m a year ago.

The company's revenues for the period were $420.7m, slightly higher than the $415.3m in the third quarter of last year.

COB investigates Michelin share deals

By William Dawkins in Paris

FRANCE'S stock exchange watchdog, the Commission des Opérations de Bourse (COB), yesterday launched an inquiry into suspect dealings in the shares of Michelin, the troubled tyre maker, whose share price hit a low yesterday.

The COB is also investigating the conditions under Michelin's forecast of FFr2.3bn ($458m) loss for 1990 – much worse than expected – leaked out a day earlier.

Michelin had called an analysts' meeting on Thursday and embargoed the information until 5.30, just after the market's close. However, news somehow escaped early, triggering a 9.1 per cent fall in the share price on Thursday.

The breach of trust was "highly unacceptable," warned Mr François Michelin, the chairman, who said the leak made him "sad". Inexplicably, Michelin's share price had risen steeply in the hours ahead of the leak.

Michelin's share price fell by 12.9 per cent yesterday, ending the day at FFr59.20, or FFr8.80 below the previous night's close of FFr68. The shares were temporarily suspended in the morning, after the price plunged more than 10 per cent less than a quarter of an hour after the market opened.

The French company, the world's largest tyre maker, has been hit by a rise in interest rates on the debts it incurred to buy Uniroyal Goodrich, the US tyre maker. The dollar's weakness has eroded the value of Michelin's US earnings, while a fall in demand in a tyre industry burdened with overcapacity has sparked off a price war.

Normally, companies are expected to issue to the stock exchange the main details of announcements before calling analysts' meetings, said COB officials. In some cases, the COB even asks them to release details the day before. Analysts privately expressed surprise that Michelin had thought its embargo would be properly observed.

Very heavy trading has accompanied the share price fall.

Some 920,978 shares traded hands yesterday, nearly 1 per cent of the company, slightly below the volume recorded a day earlier.

WORLD COMMODITIES PRICES

WEEKLY PRICE CHANGES	Latest prices	Change on week	Year ago	High 1990	Low 1990
Gold per troy oz.	$372.50	-15.00	$366.00	$420.25	$345.75
Silver Per troy oz	216.75p	+1.70	319.65p	323.50p	213.85p
Aluminium 99.7% (cash)	$1967.5	+110	$1875	$2227.5	$1380.0
Copper Grade A (cash)	£1384	+13	£1834	£1747.5	£1304.5
Lead(cash)	£384.5	-10	£487	£790	£380.5
Nickel (cash)	$8525	-975	$10447.5	$11375	$8075
Zinc SHG (cash)	$1377.5	+18.5	$1575	$1889	$1250
Tin (cash)	$6195	-10	$7837.5	$7020	$5785
Cocoa Futures (Mar)	£704	-17	£716	£967	£622
Coffee Futures (Jan)	£575	-29	£680	£757	£548
Sugar (LDP Raw)	$258.0	+1.6	$355.4	$386.4	$241.7
Barley Futures (Jan)	£117.75	+0.75	£110.30	£117.75	£103.45
Wheat Futures (Jan)	£118.55	+0.15	£111.60	£123.45	£111.00
Cotton Outlook A Index	81.75c	+0.30	81.65c	92.70c	73.70c
Wool (64s Super)	410p	-8	598p	580p	410p
Oil (Brent Blend)	$32.150y	-5.475	$19.275	$39.175	$15.575

Per tonne unless otherwise stated. †Unquoted. p-pence/kg. c-cents lb. y-December

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$28.35-8.45y	-0.925
Brent Blend (dated)	$33.05-3.15	-0.925
Brent Blend (December)	$32.10-2.20	-0.925
W.T.I. (1 pm est)	$33.40-3.50y	-0.55

Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$346-353	-14
Gas Oil	$299-300	-9
Heavy Fuel Oil	$127-129	-4
Naphtha	$312-318	-20
Petroleum Argus Estimates		

Other		+ or -
Gold (per troy oz)♣	$372.50	-5.75
Silver (per troy oz)♣	428c	+9
Platinum (per troy oz)	$410.70	+10.95
Palladium (per troy oz)	$92.75	+2.00
Aluminium (free market)	$1995	-50
Copper (US Producer)	130c	
Lead (US Producer)	50c	
Nickel (free market)	395c	-7
Tin (Kuala Lumpur market)	16.17r	-0.22
Tin (New York)	287c	+2
Zinc (US Prime Western)	73c	
Cattle (live weight)†	98.83p	-1.33*
Sheep (dead weight)†	124.08p	-5.45*
Pigs (live weight)†	74.50p	-2.85*
London daily sugar (raw)	$258.0q	+3.7
London daily sugar (white)	$316.0q	+4.3
Tate and Lyle export price	£240.5	+2.5
Barley (English feed)	£117.75v	
Maize (US No. 3 yellow)	£157	
Wheat (US Dark Northern)	£91	
Rubber (Nov)♥	50.00p	-0.50
Rubber (Dec)♥	50.75p	+0.25
Rubber (KL RSS No 1 Nov)	238.5m	+0.5
Coconut oil (Philippines)§	$290.5w	-2.0
Palm Oil (Malaysian)§	$267.5w	-2.5
Copra (Philippines)§	$205t	+5
Soyabeans (US)	£140.5	-0.5
Cotton "A" index	81.75c	-0.05
Wooltops (64s Super)	410p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Nov/Dec. t-Jan. u-Oct/Dec v-Nov. w-Oct/Nov z-Jan/Mar y-Dec. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
Dec	222.00	220.20	219.00 215.00
Mar	217.40	215.20	218.60 212.40
May	219.00	216.40	217.60 215.40
Aug	221.00	218.40	219.60 216.60
Oct	221.20	218.00	219.00 218.80
Dec	223.00	222.00	220.00
Mar	224.40	221.40	222.00 220.00

White	Close	Previous	High/Low
Dec	309.0	308.5	309.0 303.0
Mar	302.0	302.5	305.0 294.5
May	298.0	298.5	301.0 292.0
Aug	302.0	301.5	300.0 297.0

Turnover: Raw1586 (3740) lots of 50 tonnes. White 1523 (1762)
Paris- White (FFr per tonne): Dec 1539 Mar 1505, May 1496, Aug 1525, Oct 1498

CRUDE OIL – IPE ($/barrel)

	Latest	Previous	High/Low
Dec	31.80	34.11	32.50 31.60
Jan	30.65	33.00	31.40 30.60
Feb	29.90	32.00	30.25 29.65
IPE Index	33.54	36.07	

Turnover: 11441 (12230)

GAS OIL – IPE ($/tonne)

	Latest	Previous	High/Low
Nov	285.75	294.50	288.00 279.00
Dec	281.25	289.00	283.00 273.25
Jan	273.50	278.75	274.00 268.00
Feb	258.00	259.50	260.00 255.00
Mar	243.75	245.00	246.50 238.00
Apr	228.00	233.00	231.00 227.00
Jun	225.00		225.00

Turnover 11868 (11516) lots of 100 tonnes

SPICES

A lack of buying interest for white pepper in in western Europe and the US has been the main reason for the very quiet market of late, reports Man-producten. Prices eased to about US$1,800 a tonne cif. It seems most grinders are adequately covered for the coming months; a further decline cannot be excluded. The supply position for black pepper in Europe and the US remains tight, resulting in fair premiums over the forward positions. Black pepper faq spot was traded at $1,800/$1,850 cif. The price difference between white and black is extremely small, indicating ample supply of white pepper and reduced arrivals of black pepper.

COCOA – London FOX (£/tonne)

	Close	Previous	High/Low
Dec	680	653	681 638
Mar	704	686	705 685
May	729	725	732 711
Jul	756	750	754 737
Sep	787	775	784 765
Dec	815	804	816 795
Mar	846	834	830 825

Turnover:10675 (5284) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Oct 19 873.39 (887.81) 10 day average for Oct 20 914.82 (923.13)

COFFEE – London FOX (£/tonne)

	Close	Previous	High/Low
Nov	583	583	584 559
Jan	575	597	598 571
Mar	570	589	591 570
May	577	593	595 576
Jul	595	610	611 595
Sep	610	625	629 610
Nov	627	638	635

Turnover: 6340 (4869) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Oct 19: Comp. daily 74.26 (74.66). 15 day average 74.43 (74.39)

POTATOES – BFE (£/tonne)

	Close	Previous	High/Low
Nov	80.0	70.0	70.0
Apr	142.3	144.0	144.9 142.0
May	162.0	163.5	161.5 160.0

Turnover 95 (62) lots of 40 tonnes.

SOYABEAN MEAL – BFE (£/tonne)

	Close	Previous	High/Low
Dec	110.50	111.00	110.50

Turnover 15 (0) lots of 20 tonnes.

FREIGHT FUTURES – BFE ($10/index point)

	Close	Previous	High/Low
Oct	1318	1303	1315 1310
Nov	1355	1355	1365 1355
Jan	1315	1320	1330 1315
Apr	1300	1305	
Jul	1095		1100
Oct	1200		1180
BFI	1274	1268	

Turnover 251 (298)

GRAINS – BFE (£/tonne)

Wheat	Close	Previous	High/Low
Nov	114.15	113.90	114.15 113.75
Jan	118.55	118.40	118.55 118.20
Mar	122.20	122.10	122.20 122.00
May	125.55	125.40	125.60 125.20
Sep	110.00	109.90	110.00 109.75

Barley	Close	Previous	High/Low
Nov	113.35	113.50	113.40 113.35
Jan	117.75	117.75	117.75 117.65
Mar	120.75	120.75	
May	121.70	121.70	

Turnover: Wheat 299 (365), Barley 136 (286). Turnover lots of 100 tonnes.

PIGS – BFE (Cash Settlement) p/kg

	Close	Previous	High/Low
Oct	99.5	100.0	
Nov	100.9	101.5	100.5 100.0
Jan	94.5		94.0
Feb	96.5		95.5

Turnover 68 (45) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 13,207 lots
Cash	1965-70	2000-10	1992/1975	1980-5		
3 months	1815-6	1842-5	1826/1807	1816-8	1816-20	75,469 lots
Copper, Grade A (£ per tonne)						Total daily turnover 22,634 lots
Cash	1383-5	1350-2	1385/1356	1367-8		
3 months	1362-4	1333-4	1359/1326	1336-8	1353-4	109,312 lots
Lead (£ per tonne)						Total daily turnover 1,239 lots
Cash	384-5	380-1	381/380	379-80		
3 months	387.5-8.0	385-6	390/385	385-5.5	385-8.5	lots
Nickel ($ per tonne)						Total daily turnover 2,936 lots
Cash	8500-50	8650-700	8500/8500	8475-500		
3 months	8325-50	8449-50	8350/8075	8265-8	8350-400	7,606 lots
Tin ($ per tonne)						Total daily turnover 1,178 lots
Cash	6190-200	6150-70	6180/6180	6160-80		
3 months	6205-10	6170-80	6230/6180	6175-80	6220-30	10,615 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 4,865 lots
Cash	1378-80	1362-6	1380/1369	1359-61		
3 months	1366-8	1360-2	1367/1352	1359-60	1365-8	19,433 lots

LME Closing £/$ rate:
SPOT: 1.9625 — 3 months: 1.9456 — 6 months: 1.9129 — 9 months: 1.8834

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	$372\frac{1}{4}$-$372\frac{3}{4}$	190-$190\frac{1}{2}$
Opening	$374\frac{3}{4}$-$375\frac{1}{4}$	$190\frac{3}{4}$-$191\frac{1}{4}$
Morning fix	371.75	190.008
Afternoon fix	372.00	190.233
Day's high	$374\frac{3}{4}$-$375\frac{1}{4}$	
Day's low	369-$369\frac{1}{2}$	

Coins	$ price	£ equivalent
Mapleleaf	383-388	195-198
Britannia	383-388	195-198
US Eagle	383-388	195-198
Angel	383-388	195-198
Krugerrand	371-374	189-191
New Sov.	$87\frac{1}{2}$-$88\frac{1}{2}$	$44\frac{1}{2}$-$45\frac{1}{4}$
Old Sov.	$87\frac{1}{2}$-$88\frac{1}{2}$	$44\frac{1}{2}$-$45\frac{1}{4}$
Noble Plat	415.60-422.25	212.65-216.05

Silver fix	p/fine oz	US cts equiv
Spot	216.75	424.25
3 months	224.20	432.85
6 months	231.50	441.60
12 months	244.85	458.65

TRADED OPTIONS

Coffee	Jan	Mar	Jan	Mar
500	78	82	4	12
550	40	48	16	29
600	18	26	44	58

Cocoa	Dec	Mar	Dec	Mar
650	82	84	22	31
700	13	7	53	54
750	4	38	94	85

Brent Crude	Dec	Jan	Dec	Jan
3400	175	240		
3450			410	
3500		200		

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Oct	372.8	370.1	372.1	371.8
Nov	373.5	370.8	0	0
Dec	375.7	373.0	377.6	371.8
Feb	379.8	377.0	381.4	376.0
Apr	383.5	380.7	384.8	380.0
Jun	387.4	384.6	387.5	384.8
Aug	391.4	388.6	0	0
Oct	395.4	392.6	0	0
Dec	399.5	396.7	400.0	398.0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Oct	407.7	396.2	407.0	404.0
Jan	412.7	402.2	413.0	407.5
Apr	417.7	407.2	418.0	413.0
Jul	422.9	412.4	421.6	418.7
Oct	428.4	417.9	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Oct	425.8	419.8	427.0	427.0
Nov	426.0	420.2	0	0
Dec	429.8	424.0	433.0	425.0
Jan	431.8	425.9	436.0	436.0
Mar	439.1	433.2	442.0	434.5
May	445.4	439.4	448.0	441.4
Jul	451.6	445.5	453.0	451.0
Sep	457.8	451.7	457.0	457.0
Dec	466.8	460.7	469.5	467.0
Jan	469.6	463.5	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Oct 19	Oct 18	mnth ago	yr ago
1725.5	1722.6	1801.5	1858.8

DOW JONES (Base: Dec. 31 1974 = 100)

	Oct 18	Oct 17	mnth ago	yr ago
Spot	126.00	125.49	129.09	130.46
Futures	127.46	126.53	131.48	130.13

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	126.70	124.00	127.00	125.30
Nov	122.80	119.00	122.75	120.20
Dec	117.50	114.00	117.80	114.70
Jan	115.00	112.15	115.00	113.80
Mar	111.20	108.90	111.50	109.70
Apr	110.00	107.80	109.25	109.25
May	108.85	106.85	108.60	107.80
Jun	108.05	106.25	0	0
Jul	107.25	105.45	106.70	106.45
Aug	106.35	104.65	106.00	106.00

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Nov	34.60	36.80	35.50	33.65
Dec	33.45	35.41	34.10	33.41
Jan	31.95	33.96	32.40	31.95
Feb	30.75	32.67	31.10	30.67
Mar	29.49	31.49	30.10	29.49
Apr	28.50	30.41	28.95	28.41
May	27.80	29.49	27.95	27.43
Jun	27.00	28.57	27.01	26.57
Jul	26.01	27.82	26.20	25.85
Aug	25.40	27.17	26.20	26.40

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Nov	8960	9651	9150	8850
Dec	9182	9782	9240	9182
Jan	9000	9600	9170	9000
Feb	8700	9259	8850	8659
Mar	8200	8759	8340	8159
Apr	7800	8309	7860	7750
May	7395	7959	7550	7395
Jun	7200	7699	7350	7100
Jul	7250	7579	7300	7000
Aug	7240	7593	7250	7220

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Dec	1189	1163	1202	1143
Mar	1253	1220	1258	1205
May	1298	1260	1285	1248
Jul	1327	1294	1308	1285
Sep	1357	1324	0	0
Dec	1397	1364	1399	1360
Mar	1432	1398	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Dec	91.55	92.60	92.95	90.90
Mar	95.05	96.15	96.25	94.55
May	97.15	98.40	98.40	96.90
Jul	99.30	100.50	100.50	99.00
Sep	101.50	102.35	102.15	101.25
Dec	104.50	105.50	104.50	104.50
Mar	105.25	107.50	107.50	107.50

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	9.68	9.63	9.69	9.46
May	9.70	9.62	9.71	9.52
Jul	9.74	9.65	9.76	9.55
Oct	9.77	9.67	9.77	9.65
Mar	9.90	9.80	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Dec	73.23	73.21	73.58	72.93
Mar	73.63	73.55	73.90	73.21
May	73.87	74.07	74.20	73.65
Jul	74.00	74.10	74.25	73.95
Oct	68.10	68.30	0	0
Dec	66.70	66.90	66.73	66.60
Mar	67.65	68.00	67.75	67.70

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Nov	110.20	108.65	112.00	108.60
Jan	107.60	107.15	108.90	107.25
Mar	108.55	108.30	110.60	108.25
May	109.00	108.75	109.00	109.00
Jul	109.00	108.75	109.50	109.00

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Nov	611/4	610/2	617/0	608/4
Jan	625/6	625/2	631/2	623/4
Mar	639/0	638/4	644/4	637/0
May	650/2	649/0	656/0	647/4
Jul	659/2	657/6	663/6	656/6
Aug	656/0	652/4	658/4	653/4
Sep	628/0	627/0	635/0	628/0
Nov	620/6	617/6	622/6	617/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Oct	21.98	22.08	22.02	21.82
Dec	22.18	22.35	22.36	22.13
Jan	22.46	22.66	22.64	22.44
Mar	22.91	23.10	23.10	22.90
May	23.25	23.47	23.45	23.23
Jul	23.45	23.66	23.60	23.45
Aug	23.47	23.67	23.60	23.45
Sep	23.36	23.57	23.50	23.27

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Oct	181.1	179.2	181.4	179.8
Dec	186.1	183.7	186.3	183.7
Jan	188.1	186.0	188.6	185.9
Mar	191.2	189.4	191.8	189.6
May	192.9	190.6	193.0	191.0
Jul	193.9	191.8	194.0	192.0
Aug	193.9	192.0	194.0	192.0
Sep	190.1	187.8	190.3	188.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Dec	228/2	228/0	228/4	227/2
Mar	237/6	237/0	238/0	236/2
May	243/4	242/4	243/6	242/0
Jul	247/2	246/2	247/4	246/0
Sep	245/2	245/0	246/0	245/2
Dec	247/2	246/6	248/0	246/2
Mar	253/4	253/0	0	0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Dec	269/6	263/6	266/4	262/6
Mar	278/2	276/2	280/6	277/2
May	285/4	285/4	287/6	284/6
Jul	290/2	289/4	292/0	289/4
Sep	295/0	294/4	295/0	295/0
Dec	305/4	305/0	0	0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	79.50	79.30	79.67	79.00
Dec	76.92	76.47	76.97	76.55
Feb	74.42	73.92	74.57	73.95
Apr	75.32	75.02	75.55	75.07
Jun	72.95	72.57	73.10	72.60
Aug	71.25	71.00	71.35	71.00
Oct	71.50	71.25	71.60	71.35

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Oct	57.17	57.22	57.82	57.00
Dec	53.95	53.95	54.50	53.75
Feb	51.07	51.27	51.70	51.00
Apr	48.05	48.12	48.35	47.95
Jun	51.85	51.62	51.80	51.45
Jul	51.80	51.05	51.90	51.70
Aug	50.40	50.50	50.50	50.20
Oct	45.50	45.87	45.50	45.50

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	67.17	68.09	68.00	65.75
Mar	67.00	65.70	67.70	65.85
May	67.10	66.10	67.90	65.86
Jul	66.10	64.70	66.70	64.75
Aug	63.40	61.60	63.60	62.00

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar and pound nervous

PRESIDENT George Bush's optimism that a plan to cut the US budget deficit is within reach hit the dollar yesterday. Mr Bush said : "I for the first time feel optimistic that we can get this job done for the American people, and it needs to be done."

This encouraged speculation about lower US interest rates and pushed the dollar down from a peak of DM1.5120 to finish in London at another record closing low of DM1.5025 compared with DM1.5105 on Thursday. In early European trading the dollar was quoted below DM1.50, after it fell to a record trading low of DM1.4910 in the Far East.

This decline prompted profit taking as rumours circulated that the US Federal Reserve had checked the value of the dollar against the yen with US banks in Tokyo. There was no evidence of intervention, but the dollar has now reached a level where dealers are nervous of a sudden change. Profit-taking lifted the dollar to Y127.45 before President Bush's remarks pushed it back to Y125.90 at the London close against Y124.90 previously.

In terms of other major currencies the dollar fell to SFr1.2695 from SFr1.2735 and to FFr5.0850 from SFr5.0625. On Bank of England figures its index declined to 60.2 from 60.3.

Sterling closed in London below its central rate of DM2.95 against the D-Mark for the first time since joining the European Monetary System exchange rate mechanism. It finished at DM2.9450 against DM2.9525 on Thursday. The pound also declined to FFr9.8650 from FFr9.8925 but was unchanged at SFr2.4875 and rose to Y246.75 from Y244.00. Sterling improved against the dollar, gaining 55 points to $1.9595. It index rose 0.1 to 94.5.

Nervousness surrounding the pound increased on the news that the ruling Conservative Party had been surprisingly defeated in a by-election for a usually safe seat. Recent UK economic news has not been favourable, but to some extent this has supported the pound because it has set back hopes of lower interest rates. But the government's apparent unpopularity, as illustrated by the Eastbourne by-election, led to suggestions that Mr John Major, the UK chancellor of the exchequer, may be forced into interest rate cuts earlier than he would wish.

This consideration pushed the pound down against its ERM partners, contrasting sharply with the bullish tone on the pound's entry into the system two week's ago. Since joining the ERM sterling has shed about 10 pfennigs and last night was only 0.18 per cent above the lowest placed Italian lira, according to data from the European Commission.

£ IN NEW YORK

Oct.19	Latest	Previous Close
£ Spot	1.9570-1.9580	1.9695-1.9705
1 month	0.97-0.95pm	0.99-0.98pm
3 months	2.69-2.66pm	2.66-2.63pm
12 months	8.60-8.50pm	8.42-8.32pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

CURRENCY MOVEMENTS

CURRENCY RATES

OTHER CURRENCIES

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

POUND SPOT - FORWARD AGAINST THE POUND

EMS EUROPEAN CURRENCY UNIT RATES

EURO-CURRENCY INTEREST RATES

EXCHANGE CROSS RATES

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FORWARD RATES AGAINST STERLING

	Spot	1 mth	3 mths	6 mths	12 mths
US Dollar	1.9595	1.9499	1.9327	1.9095	1.8757
D-mark	2.9450	2.9310	2.9079	2.8950	2.8387
French Fr.	9.8650	9.8307	9.7730	9.7046	9.6251
Swiss Fr.	2.4875	2.4746	2.4526	2.4252	2.3819
Yen	246.75	245.38	243.42	240.70	236.47

FINANCIAL FUTURES AND OPTIONS

LONDON (LIFFE)

CHICAGO

BANK RETURN

BASE LENDING RATES

● Members of British Merchant Banking & Securities Houses Association. * Deposit now 5.1% Sureste 7.7%. Top Tier-£50,000+ instant access 13.7% § Mortgage base rate.

MONEY MARKETS

Longer rates firm

LONGER TERM rates were firmer in nervous trading on the London money market yesterday. One-year money moved up to 13¾-13⅝ per cent from 13⅝-13½ but the important three-month interbank rate was unchanged at 13⅞-13¾ per cent.

Thursday's Mansion House speech on the economy by Mr John Major, the UK chancellor, gave no encouragement to hopes of lower bank base rates, but the loss of a safe parliamentary seat by the ruling Conservative's left dealers uncertain about the future.

UK clearing bank base lending rate 14 per cent from October 8, 1990

This was particularly evident on the Liffe market, where December short sterling futures opened weaker at 86.53 and touched a low of 86.51 before closing at 86.52 against 86.63 previously.

Day-to-day credit conditions remained tight in London. The Bank of England forecast a money market shortage of £1,500m and provided help of £1,414m.

An early round of assistance was offered and at that time the authorities bought £177m bank bills in band 2 at 13¾ per cent. Before lunch another £264m bills were purchased, by way of £3m Treasury bills in band 1 at 13⅞ per cent; £29m bank bills in band 1 at 13⅞ per cent; £24m Treasury bills in band 2 at 13¾ per cent; and £208m bank bills in band 2 at 13¾ per cent.

In the afternoon the Bank of England bought £873m bills, via £1m Treasury bills in band 1 at 13⅞ per cent and £872m bank bills in band 1 at 13⅞ per cent. Late assistance of around £100m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £1,041m, with a rise in the note circulation absorbing £465m and bank balances below target £170m. These outweighed exchequer transactions adding £195m to liquidity.

At the weekly Treasury bills tender the average rate of discount on 91-day bills rose to 13.1397 from 13.0309 per cent. The top accepted rate of discount climbed to 13.2162 from 13.0558 per cent. This was equal to a price of £96.705 and bids at that level received around 77 per cent of applications. The £250m bills on offer attracted bids of £1.244bn.

The average rate on £200m 182-day bills rose to 12.5507 from 12.2972 per cent and the rate on 63-day bills advanced to 13.8978 from 13.3942 per cent.

FT LONDON INTERBANK FIXING

MONEY RATES

NEW YORK

LONDON MONEY RATES

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

LONDON STOCK EXCHANGE: Dealings

Details of business done shown below have been taken with consent from last Thursday's Stock Exchange Official List and should not be reproduced without permission.

Details relate to those securities not included in the FT Share Information Services.

Unless otherwise indicated prices are in pence. The prices are those at which the business was done in the 24 hours up to 5 pm on Thursday and settled through the Stock Exchange Talisman system, they are not in order of execution but in ascending order which denotes the day's highest and lowest dealings.

For those securities in which no business was recorded in Thursday's Official List the latest recorded business in the four previous days is given with the relevant date.

Rule 535(2) and Third Market stocks are not regulated by the International Stock Exchange of the United Kingdom and the Republic of Ireland Ltd.

‡ Bargains at special prices. ♦ Bargains done the previous day.

British Funds, etc

No. of bargains included2236

Guaranteed Export Finance Corp PLC [illegible] (17Oc90)

Corporation and County Stocks

No. of bargains included4

Greater London Council6¾% Stk 90/92 – £92 ½

Birmingham Corp3% Stk 1947(or after) – [illegible]

[illegible]

UK Public Boards

[illegible]

Commonwealth-Government

[illegible]

Foreign Stocks, Bonds, etc-(coupons payable in London)

[illegible]

Sterling Issues by Overseas Borrowers

No. of bargains included36

Asian Development Bank10¾% Ln Stk 2009(Reg) – [illegible] (16Oc90)

Bank of Greece10¾% Ln Stk 2010(Reg) – [illegible] (16Oc90)

10¾% Ln Stk 2010(Br) – [illegible] (15Oc90)

Caisse Nationale Des Autoroutes16% Gtd Ln Stk 2006 – £128¾ (12Oc90)

[illegible]

Banks and Discount Companies

[illegible]

Breweries and Distilleries

[illegible]

Registered Housing Associations

[illegible]

Commercial, Industrial, etc

[illegible]

Unit Trusts

[illegible]

Mines - Miscellaneous

[illegible]

Mines - South African

[illegible]

Oil

[illegible]

Financial Trusts, Land, etc

[illegible]

Property

[illegible]

Insurance

[illegible]

Investment Trusts

[illegible]

Plantations

[illegible]

Shipping

[illegible]

Utilities

[illegible]

Water

[illegible]

Miscellaneous Warrants

[illegible]

USM Appendix

[illegible]

The Third Market Appendix

[illegible]

Rule 535(2)

[illegible]

Quay Properties Ld£1 – £1.05 (12Oc90)

Rangers Football Club PLC Ord £1 – £[illegible] (16Oc90)

Shepherd Neame PLC"A" Ord £1 – £5.45 6% (15Oc90)

Sun Oil Britain Ld Oil Royalty Stk Units 1p – [illegible]

Union Jack Oil Co Ld Ord 25p – £2.2 2.245 (15Oc90)

Weetabix Ld"A" Non.V Ord 25p – [illegible] (16Oc90)

Winchmore PLC Ord [illegible] – [illegible] (12Oc90)

RULE 535 (4) (a)

Bargains marked in securities where principle market is outside the UK and Republic of Ireland. Quotation has not been granted in London and dealings are not recorded in the Official List.

Aust. Foundation Inv $A1.49, 1.59
Aust. Oil & Gas $A0.72 (16/10)
Birjantal Tin Dredging $M2.38
Boral Ord Stk $A3.04; 3.11 (15/10)
Cons. Exploration $A0.029 (12/10)
Cudgen $A3.05 (12/10)
Dainippon Screen Manufacturing Co Y1264.944 (17/10)
Highveld Steel & Vanadium $3.33 (12/10)
Idaho Power Co $C1008.00 (12/10)
National Electronics Holdings 14 (15/10)
Nixdorf Computers AG Prf Shs DM272.0, 273.0 (17/10)
Northrop Corp $15.875 (12/10)
Oil Search $A0.572
Vam $A0.138 (16/10)
Westfield Minerals 35 (16/10)

By Permission of the Stock Exchange Council

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LONDON STOCK EXCHANGE

Volatile close to the ERM account

THE LONDON equity trading account, which has seen the market's initial response to Britain's entry into the European exchange rate mechanism and a cut in UK base rates, came to a volatile close yesterday. With the UK government's surprising defeat in an important by-election counterbalancing the effects of strong performances by Tokyo and New York equities overnight, the FT-SE failed to hold its ground after briefly regaining 2,100 at the day's peak. UK government bonds eased by ⅛ or so at first as crude oil prices sagged but steadied at the close.

The final reading showed the FT-SE Index at 2,089.0, only 6.4 up on the day after an earlier 17.5 gain had been steadily trimmed in late dealings. The Index has lost 11.4 Footsie points this week as euphoria over ERM entry has faded. However, the market is still some 2.8 per cent higher than on the news of sterling's full ERM entry announced just before the close of official London trading on October 5; late trading on that day saw the Footsie soar to 2,143.9.

The market's mood was still distinctly uncertain yesterday, and share prices made a relatively cautious response to further falls in crude oil prices. Trading volume improved, with 464.1m shares moving through the Seaq network, compared with 359.6m on Thursday, but traders stressed that retail business had been "patchy".

Equities opened lower as some European funds sold stock in reaction to the defeat of the government candidate at a by-election at Eastbourne, traditionally a Conservative party "heartland". Downward pressure also came from a modest selling programme from a leading securities house.

As so often recently, buying of the FT-SE December futures contract came to the aid of equities and an 11 point fall on the underlying Index was reversed, with the market moving up as London sensed that Wall Street would try to extend its strong overnight advance. Some institutions were switching out of stocks which have performed well over the past fortnight and into shares such as Wellcome and GKN which have lagged behind.

However, with Wall Street's early gain cut to 22 Dow points at the London close, the UK market came back quite quickly from its high as it moved towards the new trading account. The final hour of trading brought a rash of tax loss selling from investors expected to buy the same stock back on Monday morning.

In spite of the modest increase in business yesterday, most market firms continue to suffer from a lack of investment activity. Recent trading misfortunes at a leading firm have revived fears that more London-based firms could be facing serious pressures.

Account Dealing Dates		
*First Dealings:		
Oct 8	Oct 22	Nov 5
Option Declarations:		
Oct 18	Nov 1	Nov 15
Last Dealings:		
Oct 19	Nov 2	Nov 16
Account Day:		
Oct 29	Nov 12	Nov 26

*New-time dealings may take place from 8.30 am two business days earlier.

FINANCIAL TIMES STOCK INDICES

	Oct 19	Oct 18	Oct 17	Oct 16	Oct 15	Year Ago	1990 High	1990 Low	Since Compilation High	Since Compilation Low
Government Secs	79.10	79.43	79.76	79.51	79.73	84.59	84.20 (2/1)	74.13 (30/4)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	88.87	88.87	88.90	88.85	88.93	93.74	92.91 (8/1)	83.80 (30/4)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1621.5	1618.1	1600.8	1613.3	1627.2	1781.0	1968.3 (3/1)	1510.4 (24/9)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	169.7	168.8	163.9	163.2	167.9	197.3	378.5 (6/2)	163.2 (15/6)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2089.0	2082.6	2068.0	2083.6	2101.9	2179.1	2463.7 (3/1)	1990.2 (28/9)	2463.7 (3/1/90)	986.9 (23/7/84)
Ord. Div. Yield	5.90	5.92	5.99	5.95	5.89	4.86				
Earning Yld %(full)	12.32	12.35	12.50	12.42	12.30	11.24				
P/E Ratio(Net)(*)	9.83	9.81	9.70	9.76	9.85	10.74				
SEAQ Bargains 4.45pm	20,827	17,459	18,005	19,232	19,614	19,280				
Equity Turnover(£m)†	-	703.34	724.37	682.34	578.31	711.49				
Equity Bargains†	-	16,904	17,338	17,222	18,467	19,205				
Shares Traded (ml)†	-	385.7	364.8	306.7	284.8	311.9				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83. ☆ Nil 9.68

Ordinary Share Index, Hourly changes — Day's High 1632.2 — Day's Low 1610.8

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1618.1	1610.8	1616.5	1623.0	1624.8	1624.2	1626.0	1629.9	1622.4

FT-SE, Hourly changes — Day's High 2100.1 — Day's Low 2071.2

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2079.7	2071.8	2078.5	2089.4	2091.4	2089.8	2092.6	2096.5	2090.1

GILT EDGED ACTIVITY

Indices*	Oct 18	Oct 17
Gilt Edged Bargains	102.0	94.3
5-Day average	101.1	100.6

*SE Activity 1974.
†Excluding intra-market business
‖ Overseas turnover.

London report and latest Share index: Tel. 0898 123001.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change
ADT	885	119	
ASDA Group	9,400	129	
Abbey National	1,800	218	-1½
Allied-Lyons	880	478	+1
Amstrad	1,700	42	-1
Anglian Water	675	294	-3
Argos	300	226	+3
Argyll Group	1,200	238	+1
Ass. Brit. Foods	80	380	+1
BAA	881	382	-3
BAT Inds.	1,600	546	+15
BET	682	216	+1
BICC	835	352	+1
BOC	618	480	+5
BPB Inds.	200	186	
BTR	3,800	338	+3
Bank of Scotland	1,400	109	
Barclays	715	357	-1
Bass	387	1042	-5
Beazer	1,800	90	+2
Berisford Int.	1,100	26	-1
Blue Circle	2,300	211	-3
Boots	2,200	303	+2
Brit. Aerospace	615	536	+5
British Airways	4,700	146	+6
British Gas	4,800	215½	+2½
British Land	582	288	
BP	4,200	337	-1
British Steel	8,100	122	
British Telecom	3,000	302	-½
Bunzl	1,300	86	+1
Burmah Castrol	881	464	-6
Burton	1,700	71	-1
Cable & Wire.	3,900	405	+5
Cadbury	371	311	-1
Calor Group	7	229	-2
Carlton Comms.	291	357	-10
Coats Viyella	1,000	112	+3
Comm. Union	311	462	+1½

	Volume 000's	Closing Price	Day's change
Costain	3,100	70	-1
Courtaulds	305	321	+2
Dalgety	338	354	+4
Dixons	1,800	147	+1
ECC Group	330	387	+3
Enterprise Oil	2,900	636	+3
FKI	1,300	50	-2
Ferranti	2,400	18	
Fisons	2,800	364	+2
Gen. Accident	451	489	+7
General Elect.	3,600	182	
Glaxo	2,000	765	+6
Glynwed Int.	328	212	-2
Granada	882	140	+1
Grand Met.	2,700	694	+2
GUS A	228	1073	+7
GRE	2,300	187	+4
GKN	2,800	311	+1
Guinness	1,100	708	-8
Hammerson "A"	27	558	-5
Hanson	4,400	193	+½
Hanson Warrants	1,400	86½	
Harrisons Crosfield	350	141	-1
Hawker Sidd.	787	381	
Hillsdown	2,900	200	+1
IMI	2,700	187	-7
ICI	1,500	823	+7
Inchcape	1,100	222	+6
Kingfisher	1,700	304	+4
Ladbroke	2,900	274	-2
Land Securities	685	508	-2
Laporte	47	485	+5
Legal & General	2,800	370	+7
Lloyds Abbey	315	327	+½
Lloyds Bank	1,800	278	-1
LASMO	2,300	425	-6
Lonrho	841	203	+2
Lucas	509	114	-1
MB Group	526	180	-3

	Volume 000's	Closing Price	Day's change
MEPC	800	478	-2
Manpower	218	48	-½
Marks & Spencer	2,400	238	-1
Maxwell Comms.	2,600	157½	+3
Midland Bank	1,600	184	+2
NatWest Bank	4,100	235	-4
Next	8,900	22	+2
North West Water	2,400	238	-6
Northern Foods	62	338	+3
Northumbrian Water	35	290	-3
Pearson	678	690	+7
P & O	1,600	514	+10
Pilkington	784	150	-2
Prudential	3,400	205	+2½
RHM	402	268	-4
RMC	358	617	-9
RTZ	560	415	
Racal	8,400	154	+6
Racal Telecom	1,300	258	+14
Rank Org.	1,800	635	-4
Reckitt & Colman	197	1248	+4
Redland	557	503	-8
Reed Intl.	875	345	+5
Reuters	2,300	701	+12
Rolls Royce	5,100	179	+4
Rothmans	215	708	+3
Ryl Bk Scotland	1,200	153	+2
Royal Insurance	1,400	379	-6
STC	1,800	278	+1
Saatchi	218	37	-1
Sainsbury	800	308	+1
Scottish & New.	700	349	+1
Sears	8,000	85½	+½
Sedgwick	1,800	210	+2
Severn Trent Water	1,700	195	-1
Shell Transport	2,300	449	+2
Siebe	1,800	267	-9
Slough Ests	30	233	-1
Smith (W.H.) A	35	367	+2

	Volume 000's	Closing Price	Day's change
Smith & Nephew	1,000	101	-½
SmKl Beecham	2,400	585	+2
SmKl Beecham Units	85	2818	+3
Smiths Inds.	268	302	+4
South West Water	1,000	221	-6
Southern Water	464	261	+1
Standard Chartd.	6,000	262	-2
Storehouse	16,000	138	+4½
Sun Alliance	2,300	301	+8½
Sun Life	3	1010	
T&N	707	144	-8
TI Group	823	384	+3
TSB	2,900	138	
Tarmac	2,800	243	
Tate & Lyle	883	248	+1
Taylor Woodrow	412	231	-2
Tesco	2,700	224	+3
Thames Water	1,400	229	-2
Thorn EMI	72	621	-1
Trafalgar House	2,800	193	-4
Trusthouse Forte	1,000	260	
Ultramar	3,000	327	-3
Unigate	11	294	-1
Unilever	1,100	640	+6
United Biscuits	308	314	-3
Utd. Newspapers	252	313	-1
Water Package Uts.	1	£2200	-30
Wellcome	810	483	+1
Welsh Water	1,300	241	-7
Wessex Water	447	219	+1
Whitbread "A"	808	482	+2
Wiggins Teape	2,700	186	-1
Williams Hldgs.	881	215	-4
Willis Corroon	3,700	216	+6
Wimpey	70	210	
Yorkshire Water	1,300	226	-5

Based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 4.30pm.

Insurers turn upwards

THE composite insurance sector remained one of the most turbulent sectors after the prominence given to the prospect of heavy profits reductions caused by exceptional land subsidence claims. Early losses, following through from the bearish noises on Thursday, were mostly erased by a statement from Sun Alliance saying that if claims exceeded those for 1989, then premium rates "will certainly be increased for 1991".

Sun Alliance shares subsequently spearheaded an across-the-board rise in the composite sector, closing a net 8½ higher at 301p. Turnover in Sun stock was 2.3m.

Mr Zoussel Ziai at UBS Phillips & Drew said he expected UK market rates to turn upwards during the first half of next year but that the market should prepare itself for a spate of housing subsidence problems which he said would only emerge when the housing market turns upwards. "The full extent of the subsidence problems will be seen when house are being surveyed," said Mr Ziai.

The UBS analyst said that cuts in estimates throughout the sector would be in varying degrees but added that the impact on profits of the premium rate increases would not make themselves felt in profits until 1992 at the earliest.

Legal & General, heavily exposed to the UK housing market, dropped to 361p before rallying to close a net 7 higher at 370p on turnover of 2.6m. Prudential, also one of the big home insurance groups, rallied 2½ to 205p. In the composites, Commercial Union edged up 1½ to 462p, Guardian Royal Exchange 4 to 187p and General Accident 7 to 489p. Royal, still suffering from the bearish BZW note, lost 6 to 379p.

Slide continues

The slide in shares of Siebe since its acquisition of the US Foxboro group continued. Immediately prior to the $656m purchase of the US automation and control equipment maker, Siebe stock was standing at 530p. Yesterday it closed down 9 at a 1990 low of 267p.

Analysts considered the deal expensive, the more so after the latest dollar weakness and downturn in the US economy. Most of them have downgraded profit estimates for the group, although there were no fresh revisions yesterday.

What happened in the marketplace, said a trader, was that an excess of sellers appeared and it took a reduction in the price to accommodate them. Most international stocks are suffering from currency fluctuations, and Siebe is no exception.

One securities house absorbed much of the stock offered yesterday, but its patience was eventually exhausted and the shares dipped to 263p before rallying. Trading volume rose to the unusual level of 1.8m.

Saga closes

Storehouse firmed quickly as Sir Terence Conran resigned as a non-executive director, ending management links with the retail empire he founded. There was heavy trade in the stock with the Seaq ticker showing two blocks of 7m shares moving in the system.

Sir Terence has only 2.2m shares, and the board cannot deal because it is the company's close season — interim figures are due on November 8. Storehouse climbed 6½ at one point before ending 4½ better on the day at 138p.

Internationals ran ahead early on Wall Street's strength, but UK buying interest failed to materialise and the sector had lost most of its gains by the close of trade.

Glaxo featured, with a rise of 20 at one point. The gain had been reduced to 6 by the close, leaving the shares at 765p. There was a similar story at Reuters, which hung on to 12 of a gain that once stood at 24. The closing price was 701p.

US investors had ignored Hanson in the wake of the company's goldmines-for-forests swap in mid-week. The shares added just ½ at 193p.

British Airways and P & O benefited from falling fuel prices, with the latter given an extra boost when the corporate manslaughter case brought against P & O European Ferries (Dover), the operator of the disaster-struck Herald of Free Enterprise ferry, failed. BA climbed 6 to 146p while P & O rose 10 to 514p.

The appointment of a company troubleshooter to run Davies and Newman helped the shares to rise 15 to 155p. Mr David James's track record includes work with Eagle Trust, a mini-conglomerate, Central & Sheerwood, an engineering and printing company, and North Sea Assets, an investment holding company. Mr Tim Coombs at County NatWest WoodMac said yesterday's share price rise was "a leap of faith in Mr James".

Crude oil prices, and in turn oil stocks, continued to suffer from perceptions of a peaceful settlement to the Gulf crisis. December Brent fell back to $32 a barrel, almost $2 lower, towards the close of trading in London. BP eased slightly to 337p, with County NatWest giving a further push to its switch out of BP into a Shell recommendation; Shell responded with a 2 gain at 449p.

British Gas rose 2¼ to 215¼p on 4.8m after BZW raised its profits estimate for the year ended March 1991 by £20m to £1.27bn to reflect the unexpected increases in prices for small users.

Turnover in the exploration and production issues rose appreciably with Enterprise closing 3 firmer at 636p on 2.9m — normal levels of activity rarely reach 1m shares — while Lasmo, a weak market in recent sessions, settled 6 down 425p.

Blue Circle was the most active building stock, with 2.3m shares traded. Most of the business was seen after lunch, but marketmakers reported selling orders from the start of trading. The price closed 3 lower at 211p.

Building products and engineering specialists IMI lost 7 to 187p after a downgrading by Smith New Court. Profits for 1990 were forecast at £115.6m from £126.5m earlier, while the outlook for 1991 was put at £119m from £137m. It was pointed out that the company's exposure to US earnings was around 17 per cent at the end of 1989; since then sterling has appreciated greatly, reducing the value of dollar-denominated profits.

Williams Holdings reacted as James Capel, the agency broker, cut profit projections for the UK conglomerate. The latest estimates set a new low for the market range of £124m for this year, and £138m for 1991. Williams' stock fell 4 to 215p but Tomkins, another conglomerate, remained at 225p, although Capel lowered its expectations for this group as well.

The adverse sentiment associated with the UK and European automotive components sectors, combined with worries over the dollar and US economy, upset T & N. Dealers reported a fair amount of selling, and the shares dipped to a 1990 low of 141p, down 5.

British Aerospace rose 5 to 551p while Rolls-Royce ended 4 higher at 179p as 5.1m shares changed hands. Sentiment was influenced after a buy recommendation from Goldman Sachs. Elsewhere, British Steel finished unchanged at 122p on a turnover of 8.1m shares.

In the food manufacturing sector, Ranks Hovis McDougall eased 4 to 296p on renewed speculation that Sunningdale is about to sell its 29.2 per cent stake. Cadbury Schweppes fell a penny to 311p as the shares remained weak after the placing by General Cinema of its stake. Unilever gained 6 to 640p as sterling weakened and ahead of its third quarter results on November 9. Analysts expect profits of around £510m. Asda was unchanged at 129p and at 5.3m was actively traded. There was switching into the convertible Eurobonds.

Albert Fisher added 2 to 114p on positive brokers' comments after the better-than-expected 65 per cent rise in profits of £74.4m, reported in the previous session. After recording another strong set of results, analysts focused on the longer-term strength of the company. The possibility that Fisher may make a major acquisition before the end of next year was not a discouragement. Indeed, the strength of the Fisher management team would make a bid attractive in spite of the possibility of a rights issue to fund it, analysts said.

Heavier annual losses combined with a gloomy view of trading prospects lowered MY Holdings 5 to 32p, while the announcement of restated profits, owing to a change in accounting policy, brought Optical & Medical International down 6 to 75p.

Cityvision, which runs video rental stores, fell quickly on speculation — denied by the company — that it was planning large-scale shop closures. The company's broker, Hoare Govett, cut its full-year profit forecast for the second time in a fortnight. The new figure is £16m down from £19m and £22.4m before October 5. Hoare said that video renting had not recovered from fall in demand in June during the World Cup soccer tournament.

Brent Walker weakened once again as the market waited for news on a possible management buy-out at the company's Goldcrest film production business. Brent Walker lost 8 to 68p.

Full-year losses at Harmony, a leisure company, increased from £128,000 to £1m. The shares fell a penny to 15p.

USM-quoted Sheldon Jones slipped after the chairman told the annual meeting yesterday that "the escalation in fuel costs poses something of a threat to our slender trading margins". The shares ended 5 off at 75p.

G &G Kynoch, the textile concern which plans to diversify into healthcare equipment, rebounded 12 to 50p as a broker attempted to buy stock. The price weakened on Thursday owing to the failure of the company's heavily discounted £4.4m rights issue, less than 3 per cent of which was taken up by existing shareholders.

Eurocopy ended another dull week down 4 at 182p, for a loss over the five-day period of 21. Misleading press comment has led to complaints from some customers, giving rise to the misconception that photocopier contracts entered into were unduly expensive, the company said.

Maxwell Communication moved ahead again after the company revealed plans to repay $415m in debt due on October 28. The shares added 3 at 157½p.

WPP, the advertising agency group, continued to benefit from the announcement late on Thursday of more than $140m of new business from Kraft General Foods. WPP rose 24 to 419p.

Full-year profits at Whinney Mackay-Lewis, an architect and project management consultant, were virtually halved to £362,000. The shares lost 17 to 35p.

The Liberal Democrat by-election victory in Eastbourne caused a flurry of selling throughout the water sector during early trading; Nervous investors sold out of fears of re-nationalisation of the sector in the event of a Labour victory at the next general election. Later the water stocks staged a good rally to close well above the day's lowest levels.

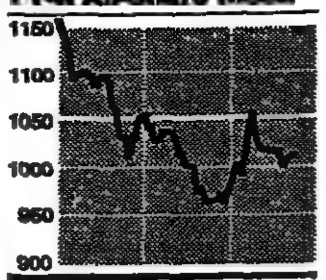
The Water Package dropped to £2,180 but picked up to close at £2,193 at the close, a net decline of 30. Mr Steve Doe, water sector specialist at Smith New Court, described the Eastbourne by-election as "a one-off". The sector, Mr Doe said, would respond positively to what will be seen as exceptionally good interim dividends at the end of the month.

Property stocks were thinly traded, with marketmakers reporting a lack of volume, as most players were content to square positions ahead of the weekend.

Among leading stocks, Hammerson "A" lost 5 to 558p ahead of the release on Monday of half-year figures, while Helical Bar finished unchanged at 138p, in spite of news that the company had bought for cancellation 17,500 of its own shares at 135p.

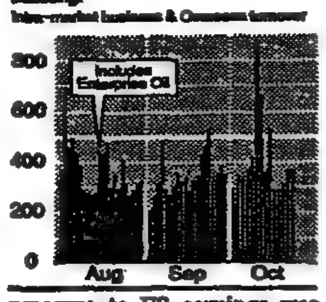
■ Other market statistics, including the FT-Actuaries Share Index and London Traded Options, Page 9.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million) Excluding: Intra-market business & Overseas turnover



NEW HIGHS AND LOWS FOR 1990

NEW HIGHS (18). BRITISH FUNDS (2) BREWERS (2) BUILDINGS (1) STORES (1) INDUSTRIALS (1) Sherwright, INSURANCE (1) TRUSTS (3). NEW LOWS (169). AMERICANS (4) CANADIANS (1) BANKS (3) BREWERS (2) BUILDINGS (4) CHEMICALS (2) STORES (3) ELECTRICALS (9) ENGINEERING (3) FOODS (2) HOTELS (3) INDUSTRIALS (26) Arley, BBA, Do. 6.7pc Pref., Business Technology, CSR, Cargo Control, Co. of Designers, Copymore, Electrolux, Eurocopy, French (Thos.), Grampian, Ibex, Lyrel, MY, Manpower, Melville, Morgan Crucible 7.5pc Pf., Mosaic Invs., Optical & Medical, Petrocon, RPS, Sheldon Jones, Siebe, T & N, INSURANCE (1) LEISURE (3) NEWSPAPERS (2) PAPERS (3) TEXTILES (3) TRANSPORT (3) TRUSTS (12) OILS (5) OVERSEAS TRADERS (1) MINES (13) THIRD MARKET (1).

RISES AND FALLS

	On Friday Rises	On Friday Falls	On Friday Same	On the week Rises	On the week Falls	On the week Same
British Funds	15	65	10	102	284	78
Corps. Dom. & Foreign Bonds	2	3	16	8	16	79
Industrials	346	298	907	1,496	1,606	4,653
Financial and Props	172	119	451	791	629	2,265
Oils	25	34	32	66	182	196
Plantations	2	1	7	6	8	41
Mines	31	26	96	125	207	448
Others	91	32	91	510	278	480
Totals	684	578	1,612	2,906	3,209	8,292

LEADERS AND LAGGARDS

Percentage changes since December 29 1989 based on Thursday October 18 1990

Food Retailing	+	1.31
Stores	+	0.62
Water	-	1.57
Brewers and Distillers	-	2.58
Oil & Gas	-	7.06
Consumer Group	-	10.02
Health and Household	-	11.11
Insurance (Life)	-	12.56
Packaging & Paper	-	12.91
Food Manufacturing	-	14.32
500 Share Index	-	15.13
Building Materials	-	15.28
Engineering-Aerospace	-	15.43
Metals & Metal Forming	-	16.11
All-Share Index	-	16.34
Industrial Group	-	16.46
Telephone Networks	-	16.84
Banks	-	17.49
Electronics	-	18.86
Conglomerates	-	19.12
Other Groups	-	20.02
Chemicals	-	20.03
Transport	-	20.64
Financial Group	-	20.81
Textiles	-	22.08
Investment Trusts	-	23.00
Capital Goods	-	23.50
Insurance (Composite)	-	24.10
Property	-	24.55
Engineering-General	-	24.99
Publishing & Printing	-	25.00
Contracting, Construction	-	25.62
Leisure	-	28.11
Merchant Banks	-	28.75
Motors	-	29.70
Overseas Traders	-	29.85
Electricals	-	29.93
Insurance (Brokers)	-	30.06
Other Industrial Materials	-	32.32
Agencies	-	34.92
Gold Mines Index	-	45.39

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	09/92	102-15	-06/32	12.00	11.75	12.52
		9.000	03/00	85-21	-12/32	11.54	11.38	11.81
		8.000	10/08	83-30	-15/32	11.07	10.83	11.16
US TREASURY *		8.750	08/00	100-28	-16/32	8.61	8.86	8.92
		8.750	08/20	100-00	-26/32	8.75	9.02	9.06
JAPAN	No 119	4.800	6/99	84.5266	-0.211	7.79	8.07	8.82
	No 129	6.400	03/00	93.8775	-0.257	7.51	7.75	8.09
GERMANY		8.500	08/00	98.9600	+0.010	8.87	9.09	9.02
FRANCE	BTAN	9.000	11/95	95.6440	+0.194	10.13	10.28	10.33
	OAT	8.500	03/00	89.7500	+0.210	10.22	10.44	10.48
CANADA *		10.500	07/00	96.2000	+0.800	11.15	11.33	10.98
NETHERLANDS		9.000	10/00	98.8200	-0.120	9.18	9.23	9.21
AUSTRALIA		13.000	07/00	97.8056	+0.084	13.40	13.49	13.57

London closing, *denotes New York morning session
Yields: Local market standard — Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

COMMODITIES

WEEK IN THE MARKETS

Gold and platinum on the slide

THE ATTENTION of the world gold market remained firmly focused on the Middle East this week — but little was seen to encourage investors to hold the precious metal, let alone buy more of it.

In the absence of significant Gulf crisis developments that clearly bullish factor tended to fade somewhat, leaving the market vulnerable to a wave of selling that was widely rumoured to emanate from the same Middle-Eastern syndicate that had hit the market three times previously this year. The result was a plunge on Tuesday that took the London bullion market price down to $360 a troy ounce at one point — $13.25 below the level ruling before Iraq's invasion of Kuwait. The price bounced after that, but yesterday's closing price of $372.50 an ounce was still $15 down on the week.

The platinum price fared little better, ending $7.30 down at $410.70 a troy ounce after dipping to $393.50 an ounce at one stage.

Concern about recession exacerbating the downturn in automobile production, and therefore in demand for platinum-based catalytic converters, remained uppermost in analysts' minds. But looking further forward, they also pointed to looming over-supply as producers pushed ahead with expansion plans that would boost western world availability by more than 30 per cent in 1994.

However, Mr Roger Chaplin, precious metals analyst at Laing & Cruikshank, suggested that many of the planned expansions would be "shelved or reduced in scope" if the price fell below $350 an ounce, "which would bring the market back into balance."

Responding last week to the steep price slide, Johnson Matthey, the biggest platinum marketing company, pointed out that industrial demand for the metal was running at a record level. But this week's performance seems to indicate that the market was not much impressed; and it remains to be seen whether a similar exercise by The Silver Institute will have any more success in reversing the decline in that metal's price.

After last week's fall to a 14-year low the Washington-based institute came to the metal's defence with a press release quoting analysts in support of the contention that: "Current upward trends in the photographic industry directly discredit reports that silver prices are declining because of a drop in photographic demand."

The long-time low was not repeated this week, but the London bullion market price ended with a net fall of 6 cents at 428 cents an ounce, despite rallying by 9 cents yesterday.

LME WAREHOUSE STOCKS (As at Thursday's close) tonnes

Aluminium	+17,500	to 161,000
Copper	+2,075	to 197,500
Lead	+375	to 45,325
Nickel	+2,082	to 5,028
Zinc	-1,350	to 61,775
Tin	-100	to 11,365

At the London Metal Exchange aluminium bulls had a better week, although some of the gilt was taken off the gingerbread yesterday by a 17,500-tonne rise in exchange warehouse stocks to a three-month high of 161,000 tonnes. A big stocks rise had been expected, but not quite that big, and the cash price closed $37.50 down on the day at $1,987.50 a tonne. That was still $110 a tonne up on the week, however.

The copper market's continued retreat was reversed on Thursday and yesterday the cash price ended £13 up on balance at £1,384 a tonne.

A further stocks rise weighed on the market early on but selling was deterred by concern over potential options-related tightness and worries over possible disruptions to African supplies. Traders said the strike at Centromin, Peru's state-owned mining and smelting group, provided only limited support as there were doubts about the miners' resolve. Yesterday those doubts appeared to have been justified as a Centromin official said the strike had been suspended at the La Oroya smelter. And he was optimistic that meetings being held yesterday at other installations would result in most of the group's employees returning to work early next week.

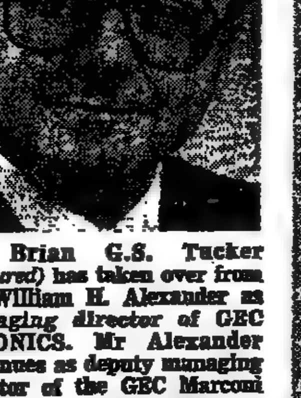
Nickel prices fell to four-month lows at one time yesterday after the announcement of a 2,082-tonne rise in LME stocks to 5,028 tonnes, which traders thought partly reflected the arrival of more of the Soviet material. The cash position closed at $8,525 a tonne, down $150 on the day and $975 on the week. The three months price closed $262.50 above the day's low of $8,075 a tonne, but dealers still expected a major support area at $7,900 to be tested soon.

The world sugar market arrested its decline this week following reports of substantial Soviet purchases. The London daily raws price, which dipped to $241.70 a tonne on Tuesday, was fixed yesterday at $258 a tonne, up $1.60 on the week.

Richard Mooney

APPOINTMENTS

Managing director of GEC Avionics



Mr Brian G.S. Tucker (*pictured*) has taken over from Mr William H. Alexander as managing director of GEC AVIONICS. Mr Alexander continues as deputy managing director of the GEC Marconi group, with responsibility for a number of companies, including GEC Avionics. Mr Tucker, who has worked for GEC Avionics for 20 years, was assistant managing director.

■ Mr Anthony Mason, group chairman and chief executive of THE CHANCELLOR GROUP and its UK subsidiary Chancellor Insurance Co, assumes the additional post of executive chairman of the UK company following the resignation of Mr T.R. Usher. Mr Usher was also a non-executive director on the group board. He is leaving to pursue other interests. Mr Steven Brian Smith has been appointed marine underwriter at Chancellor Insurance Co.

■ Mr Colin R. Woodley has been appointed chairman of the CONSTRUCTION PLANT-HIRE ASSOCIATION for 1990/91. He is managing director, Cox Western.

■ THORNTON INVESTMENT MANAGEMENT, part of the Dresdner Bank Group, has appointed Mr Julian Mayo as head of European marketing. He joins from the Tokyo office of Thornton Management (Asia).

Mr Rod Billinge (*pictured*) has become managing director of EUROBRANDS following Mr John Mangiacapra's move to Remy Martin in Paris. Mr Billinge was a zone manager for Remy Asia and Pacific.

■ Mr Nigel Nicholas has joined the board of ALLERDYNAMICS as chairman and managing director. He was vice president of Dome/Hollister-Stier, part of the healthcare sector of Bayer. Joining the board will be Mr Christopher Childs, chairman, Stainless Metalcraft; Mr Alex McNamee, managing director, Ferraris Medical; and Mr Terence Franklin, managing director, Franklin Associates. Allerdynamics is a joint venture with Ferraris Medical, a division of Stainless Metalcraft.

■ ALEXANDER STENHOUSE UK has appointed Mr David J. Mills as manager for Northern Ireland, based in Belfast. He was with Sedgwick James.

■ Mr Martin Fairley and Dr Martin Stopford have been appointed directors of H. CLARKSON AND CO.

■ PIERSON, HELDRING & PIERSON (C.I.), a Dutch bank in the Channel Islands, has appointed Mr Peter Davies as marketing director.

■ AMEY CONSTRUCTION, part of Amey Holdings, has appointed Mr Chris Joselin as regional director, south; and Mr Chris Corkhill as regional director, north. Mr Joselin joins from Balfour Beatty, and Mr Corkhill from Birse.

■ Mr Jimmy Daniel has joined the US equities operation of FURMAN SELZ INC in London. He was a director of Shearson Lehman Hutton.

■ Mr Nikolai Askaroff has been appointed chief executive of CIRCAPRINT HOLDINGS. Mr Ruairidh Mackenzie becomes financial director.

■ Mr Nicolas Wright is to be publishing director of DAVID & CHARLES TRADE PUBLISHING from November. The company was recently acquired by Reader's Digest.

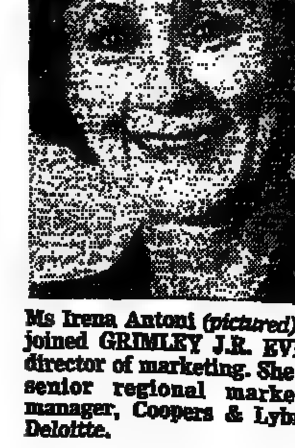
■ WHICLAR AND GORDON WINES, Dorking, has appointed Mr Christopher Carson as trading director from October 29. He joins from Enotria Wines.

■ Mr Russell I.H. Lees has been appointed a director of INTERCAPITAL BROKERS.

■ Nabarro Nathanson's associated US firm, WEIL, GOTSHAL & MANGES of New York, has opened a London office, and appointed a senior partner, Mr Peter Standish, as resident partner.

■ BRADSTOCK GROUP has asked us to point out that Mr Michael Morland is chairman, Mr Graham Barden is deputy chairman, and Mr Michael Matthews is a divisional director of the aviation division. Mr Michael Cole is a divisional director, non-marine division.

■ NM FINANCIAL MANAGEMENT has appointed Mr Robert Harvey as regional sales manager, Maidstone, Brighton and Canterbury.



Ms Irena Antoni (*pictured*) has joined GRIMLEY J.R. EVE as director of marketing. She was senior regional marketing manager, Coopers & Lybrand Deloitte.

FT MANAGED FUNDS SERVICE

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 071-925-2128

AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro

INITIAL CHARGE: [illegible]

OFFER PRICE: [illegible]

BID PRICE: [illegible]

CANCELLATION PRICE: [illegible]

TIME: [illegible]

HISTORIC PRICING: [illegible]

FORWARD PRICING: [illegible]

SCHEME PARTICULARS AND REPORTS: [illegible]

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Target Trust Mngrs Ltd (1600)F

Templeton Unit Trust Managers Ltd (1200)F

Threadneedle Unit Trust Managers Ltd (1200)F

Thornton Unit Managers Ltd (1000)F

Murray Johnstone UT Mngmt

Phillips & Drew Fund Management Ltd

NM Rothschild Asset Management Ltd

J. Rothschild Fund Managers Ltd

Stewart Ivory & Co Ltd

Thornton Unit Managers Ltd

Touche Remnant Unit Tst Mngt Ltd

INSURANCES

OTHER UK UNIT TRUSTS

American Life Insurance Co UK

Avon Insurance Plc

Barclays Life Assur. Co Ltd

Continued on next page

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National Provident Institution
48 Gracechurch St, London EC3P 3HH 071-623 4200

	Bid Price	Offer Price	+ or -	Yield Gross
Managed	302.3	318.3	+2.9	–
UK Equity	381.9	402.0	+4.1	–
Overseas Eq.	286.8	301.9	+3.8	–
Americas	204.5	215.3	+4.9	–
Far East	313.5	330.1	+2.6	–
Property	190.9	201.0	+1.9	–
Fixed Int.	229.9	242.1	–	–
Indexed Gilt	143.1	150.7	+0.3	–
Deposit	171.0	180.1	–	–
Pension Fund (Accum Units)				
Managed	418.4	440.5	+4.0	–
UK Equity	485.6	511.2	+5.1	–
Overseas Eq.	474.9	499.9	+6.0	–
Americas	271.5	285.8	+5.7	–
Far East	520.6	548.0	+3.1	–
Property	236.9	249.4	+4.8	–
Fixed Int.	279.3	294.0	+0.1	–
Indexed Gilt	157.3	165.6	+0.3	–
Deposit	234.8	247.2	+0.1	–
NPI Pensions Management Ltd				
Managed Fund	908.9	929.1	–	–

Prices Oct 3 Next dealing Nov 1

Norwich Union Asset Management Ltd
PO Box 140, Norwich NR3 1PP 0603 686787

	Bid Price	Offer Price	+ or -	Yield Gross
NUAM Funds				
Managed Fund	60.9	64.1	+0.6	–
Stock Market Mngt Fund	57.3	60.3	+0.7	–
Equity Fund	65.4	68.9	+0.7	–
International Fund	50.1	52.8	+0.8	–
European Fund	61.5	64.8	+0.8	–
North American Fund	46.6	49.1	+1.0	–
Pacific Fund	51.8	54.5	+0.6	–
Property Fund	87.5	92.1	–	–
Fixed Interest Fund	52.3	55.0	+0.2	–
Index linked Sec. Fund	58.2	61.2	+0.1	–
Deposit Fund	65.6	69.1	–	–
NUAM Retirement Plans				
Mixed Fund	65.9	69.3	+0.5	–
UK Ordinary Share Fd.	75.0	78.9	+0.6	–

Providence Capitol Life Assc. Co Ltd – Contd.

	Bid Price	Offer Price	+ or -	Yield Gross
Total Investment Bond				
UK Equity Initial	130.4		+1.0	–
UK Fixed Int. Initial	106.5		-0.3	–
Intl Equities Initial	101.8		+0.4	–
UK Managed Initial	105.0		+0.5	–
Property Initial	164.3		–	–
Money Initial	83.8		–	–
Special Market Initial	95.8		+1.2	–
Japan Equity Initial	77.5		+0.1	–
North American Initial	60.9		+1.3	–
Pacific Initial	59.9		+0.4	–
Technology Initial	79.8		+0.4	–
Nat Resources Initial	42.8		–	–
European Initial	83.8		+1.4	–
Residential Prop Init.	93.9		–	–
Swiss Equities Initial	31.0		+0.7	–
Hong Kong Initial	43.5		+0.8	–
UK High Inc Eq Init.	58.9		+0.6	–
Int. Fixed Interest Init.	49.0		–	–
Int. Managed Init.	49.8		+0.1	–
HIP Managed Init.	94.7		+0.3	–
HIP Managed II Initial	84.7		+0.4	–
Broker Funds				
High Performance	60.5	63.8	+0.1	–
Towerhill Mngd Fd Acc.	36.2	38.1	-0.2	–
YRA Executive Fd.	83.7	88.2	+0.5	–
£ Global Growth Acc.	109.6	115.6	+0.5	–
£ High Income Money Acc.	131.9	139.1	+0.1	–
IM Balanced	46.2		+0.3	–
H.F. Speculator Fd.	113.5		+0.3	–
PEP Acorn II	103.3		+0.3	–
PEP Cautionary	66.9		–	–
AAFS Int. Man Fund	108.2		+1.0	–
Andrews-Green Inv Port.	77.2		+0.4	–
Individual Pension Funds				
UK Equity Acc.	205.7	217.0	+2.6	–
UK Fixed Interest Acc.	193.0	203.6	-0.6	–
Intl Equities Acc.	190.1	200.6	+1.0	–
UK Managed Acc.	165.2	174.2	+0.9	–
Property Acc.	208.8	220.3	–	–
Money Acc.	149.0	157.2	–	–

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OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)

هكذا من الأصل

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JERSEY (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

JERSEY (REGULATED)

IRELAND (SIB RECOGNISED)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)

MANAGED FUNDS NOTES

WORLD STOCK MARKETS

US MARKETS (3pm)

[illegible]

CANADA (3pm)

[illegible]

AUSTRIA

[illegible]

BELGIUM/LUXEMBOURG

[illegible]

DENMARK

[illegible]

FINLAND

[illegible]

FRANCE

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GERMANY

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ITALY

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NETHERLANDS

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NORWAY

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SPAIN

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SWEDEN

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SWITZERLAND

[illegible]

SOUTH AFRICA

[illegible]

JAPAN

[illegible]

AUSTRALIA

[illegible]

HONG KONG

[illegible]

MALAYSIA

[illegible]

SINGAPORE

[illegible]

INDICES

NEW YORK DOW JONES

	Oct. 19	Oct. 17	Oct. 16	Oct. 15	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
ϕIndustrials	2452.72	2387.87	2381.19	2416.34	2999.75 (16/7)	2365.10 (11/10)	2999.75 (16/7/90)	41.22 (2/7/32)
Home Bonds	89.13	88.74	88.82	89.03	93.04 (3/1)	88.44 (24/9)	—	—
Transport	836.88	821.93	823.41	832.29	1212.77 (6/6)	821.93 (17/10)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	208.31	207.49	206.55	206.99	236.23 (2/1)	190.96 (24/8)	236.23 (2/1/90)	10.50 (8/4/32)

ϕDay's High 2461.63 (2418.56) Low 2391.83 (2358.17)

STANDARD AND POOR'S

	Oct. 19	Oct. 17	Oct. 16	Oct. 15	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	305.74	298.76	298.92	303.23	368.95 (16/7)	295.46 (11/10)	368.95 (16/7/90)	4.40 (1/6/32)
Industrials	358.86	349.98	350.09	355.03	437.37 (16/7)	346.86 (11/10)	437.37 (16/7/90)	3.62 (21/6/32)
Financial	19.85	19.28	19.46	19.92	31.87 (3/1)	19.24 (11/10)	38.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	167.13	163.59	163.64	165.84	201.13 (16/7)	162.20 (11/10)	201.13 (16/7/90)	4.46 (25/4/42)
Amex Mkt. Value	291.84	289.13	290.32	293.27	382.45 (5/1)	289.13 (17/10)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	334.03	326.78	325.44	329.54	469.60 (16/7)	325.44 (16/10)	485.73 (9/10/89)	54.87 (31/10/72)

	Oct. 12	Oct. 5	Sep.28	year ago (approx.)
Dow Industrial Div. Yield	4.23	4.04	4.14	4.01

	Oct. 17	Oct.10	Oct. 3	year ago (approx.)
S & P Industrial div. yield	3.59	3.56	3.42	3.20
S & P Ind. P/E ratio	14.15	14.28	14.85	13.00

NEW YORK ACTIVE STOCKS

Thursday	Stocks traded	Closing price	Change on day
Chicorp	7,668,000	13⅞	+ ⅜
Philip Morris	4,297,900	46¾	+ 1⅞
Puget Sound	3,036,600	20⅝	+ ⅞
Waste Man	2,369,700	32¼	+ 2½
Fannie Mae	2,323,500	28¾	+ ⅞
Am Express	2,321,900	18⅞	+ ⅞
Baxter Intl.	2,203,700	26½	+ 1
Gen Electric	2,116,800	54½	+ 1⅞
Digital Equip	2,113,800	51	+ 4½
Student Ln	2,026,900	37⅞	+ 1⅜

TRADING ACTIVITY

† Volume Millions	Oct. 18	Oct. 17	Oct. 16
New York	205.266	161.260	151.500
Amex	12.375	10.076	11.139
NASDAQ	139.292	121.784	117.130
Issues Traded	1,977	1,965	1,977
Rises	1,118	658	472
Falls	441	832	1,072
Unchanged	418	475	433
New Highs	12	6	5
New Lows	141	254	278

CANADA TORONTO

	Oct. 18	Oct. 17	Oct. 16	Oct. 15	1990 HIGH	1990 LOW
Metals & Minerals	2650.30	2598.61	2588.00	2634.60	3453.05 (4/1)	2588.00 (16/10)
Composite	3060.02	3023.38	3009.91	3032.84	4009.47 (3/1)	3009.91 (16/10)
MONTREAL Portfolio	1642.16	1616.26	1607.24	1616.66	2060.90 (3/1)	1607.24 (16/10)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Oct. 19	Oct. 18	Oct. 17	Oct. 16	1990 HIGH	1990 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1368.6	1355.2	1341.7	1336.9	1723.7 (12/1)	1321.4 (15/10)
All Mining (1/1/80)	643.4	642.3	639.2	642.4	868.8 (5/1)	636.6 (15/10)
AUSTRIA						
Credit Aktien (30/12/84)	465.32	460.89	452.24	455.80	785.29 (19/3)	440.98 (25/9)
BELGIUM						
Brussels SE (Cash Mkt) (1/1/80)	5128.35	5098.56	5095.91	5141.58	6599.43 (12/1)	4930.99 (25/9)
DENMARK						
Copenhagen SE (3/1/83)	346.35	342.89	341.67	340.49	388.29 (26/7)	331.41 (27/9)
FINLAND						
Unitas General (1975)	408.7	411.6	413.7	416.8	677.3 (23/1)	408.7 (19/10)
FRANCE						
CAC General (31/12/82)	437.53	432.81	431.18	432.64	564.62 (30/5)	426.18 (26/9)
CAC 40 (31/12/87)	1644.70	1647.67	1646.88	1661.92	2129.32 (20/4)	1485.39 (25/9)
GERMANY						
FAZ Aktien (31/12/58)	635.26	629.29	617.96	625.79	832.32 (19/7)	580.48 (28/9)
Commerzbank (1/12/53)	1822.3	1804.40	1770.8	1793.2	2414.0 (3/4)	1628.7 (28/9)
DAX (30/12/87)	1482.09	1470.07	1440.79	1464.72	1966.56 (30/5)	1334.89 (28/9)
HONG KONG						
Hang Seng Bank (31/7/64)	2991.95	2958.52	2928.54	2991.57	3559.89 (23/7)	2738.28 (1/2)
IRELAND						
ISEQ Overall (4/1/88)	1297.38	1292.87	1286.45	1295.65	1893.38 (22/1)	1287.47 (1/10)
ITALY						
Banca Com. Ital. (1972)	562.96	(u)	552.69	553.71	763.52 (14/5)	552.69 (17/10)
JAPAN						
Nikkei (16/5/49)	24481.49	24367.05	23859.36	23606.10	38712.88 (4/1)	20221.86 (1/10)
Tokyo SE (Topix) (4/1/68)	1816.29	1783.53	1753.34	1731.69	2867.70 (4/1)	1523.43 (1/10)
2nd Section (4/1/68)	3112.96	3065.14	3060.98	3066.92	4497.16 (14/7)	2859.49 (1/10)
MALAYSIA						
KLSE Composite (4/4/86)	476.79	468.44	(c)	467.99	632.22 (1/8)	459.08 (28/9)
NETHERLANDS						
CBS Tl.Rtn.Gen.(End 1983)	233.8	233.5	231.8	232.1	271.9 (20/7)	220.2 (28/9)
CBS All Shr (End 1983)	171.8	171.4	170.2	170.4	204.3 (3/1)	167.6 (28/9)
NORWAY						
Oslo SE (Ind) (2/1/83)	751.95	737.28	738.82	731.97	915.13 (2/8)	701.67 (2/1)
PHILIPPINES						
Manila Comp (2/1/85)	540.45	537.25	540.95	538.46	1140.78 (31/5)	514.98 (3/10)
SINGAPORE						
SES All-Singapore (2/4/75)	313.84	306.69	(c)	304.89	446.87 (16/7)	301.45 (11/10)
SOUTH AFRICA						
JSE Gold (28/9/78)	1358.0	1383.0	1398.0	1396.0	2230.0 (16/1)	1322.0 (20/8)
JSE Industrial (28/9/78)	2657.0	2653.0	2640.0	2658.0	3211.0 (6/2)	2640.0 (1/10)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	676.02	666.56	653.96	658.29	928.82 (4/1)	566.27 (17/9)
SPAIN						
Madrid SE (30/12/85)	(u)	226.95	222.95	219.45	309.74 (16/7)	209.37 (28/9)
SWEDEN						
Affärsvärlden Gen. (1/2/37)	915.1	909.6	907.4	905.5	1329.9 (5/7)	900.0 (28/9)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	665.3	659.2	648.5	651.2	885.5 (13/7)	613.4 (28/9)
TAIWAN**						
Weighted Price (30/6/66)	2916.90	2891.11	2767.21	2768.89	12495.34 (10/2)	2560.47 (1/10)
THAILAND						
Bangkok SET (30/4/75)	652.36	649.20	646.59	655.88	1143.78 (25/7)	613.95 (25/9)
WORLD						
M.S. Capital Intl.(1/1/70) (§)	470.9*	464.8	458.8	454.1	571.0 (4/1)	423.1 (28/9)

**Saturday October 13: Taiwan Weighted Price 2656.85 Korea Comp Ex. 626.96
§ Subject to official recalculation. † Correction. *Calculated at 15.00 GMT.
Base values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX—1,000, JSE Gold—255.7, JSE Industrials—264.3 and Australia All Ordinary and Mining—500. (c) Closed. (u) Unavailable.

NOTES—Prices on this page are as quoted on the individual exchanges and are last traded prices. (u) unavailable. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.
† French prices for 19/10 which appeared in yesterday's edition were pre-close.

WORLD STOCK MARKETS

AMERICA

Dow rallies as oil prices drop $2

Wall Street

A $2 RUMOUR-inspired plunge in crude oil prices triggered another mini-rally on the equity market yesterday morning, with the Dow Jones industrial average chalking up a 25 point gain in the first two hours of trading, *writes our New York staff.*

The rumour in question was a reported remark by Mr Taha Yassin Ramadan, the first deputy prime minister of Iraq, who said during a visit to Jordan that the Middle East crisis had begun a "phase of reassessment and reconsideration of positions" and that a "process of negotiations" might be in the offing.

Yesterday's market improvement followed a 65 point gain on Thursday, also based on the drop in oil prices. The bond market reacted similarly, with the 30-year Treasury benchmark gaining ½ for a yield of 8.74 per cent.

At 2pm the Dow Jones average was 24.76 higher at 2,477.48. On Thursday the Dow had closed at 2,452.72. Yesterday's volume was 135.3m shares, while advancing issues outpaced declining stocks by a factor of two to one.

The Bank of New England announced a third quarter loss of $1.78 a share after heavy loan loss provisions. This compared with a 61 cent per share profit in the same quarter last year. The stock, already devastated in recent months, remained unchanged at $1¼.

By contrast, Midlantic Corporation, a New Jersey-based regional bank that reported improved third quarter earnings of $1.68 a share, against $1.48 a share last year, gained $¾ to $7⅝.

Zenith Electronics, the last surviving US manufacturer of colour televisions, was steady at $4⅝, even after a third quarter loss of $11.6m, or 44 cents a share from continuing operations, compared with a 1989 third quarter loss of 34 cents a share.

Exxon's share price gained $⅝ to $48 ⅞ after the company agreed to settle a deceptive practices lawsuit.

Kellogg's provided convincing evidence yesterday that American breakfast habits are recession-resistant. The Michigan food company unveiled a $1.34 per share third quarter net profit, up from $1.02 in the same quarter last year. The market marked Kellogg's share price $2 higher to $69¼ yesterday morning.

American Brands, despite having a large dependence on the cigarette trade, yesterday pleased the market with a $1.16 per share third quarter net profit, compared with 86 cents a year ago. The company's price was marked $1⅝ point higher to $71⅝.

Among the most actively traded shares yesterday were Philip Morris, the tobacco and foods group, which gained $⅞ to $47¼ and Citicorp, which lost $⅛ to $13 only days after unveiling unhappy third quarter profits.

Canada

TORONTO stocks trimmed early gains at midday, weighed down by confusion over the US budget. The US Senate must pass a stopgap spending bill to fund the government beyond midnight. Delays in its passage dampened early enthusiasm. The composite index rose 20.10 to 3,080.30 on volume of 14.01m shares. Advances led declines by 208 to 173.

The gold index dropped 21.12 to 5,459.75, dragged down by American Barrick which fell C$⅝ to C$21⅝ and Placer Dome which lost C$⅜ to C$17⅝.

Among active gainers were Canadian Pacific, up C$⅜ to C$18⅞, Toronto Dominion up C$¼ to C$15⅝, and BCE up C$⅜ to C$36¼. Alcan and Inco rose, moving up C$⅜ to C$22⅞ and C$⅜ to C$28⅜.

SOUTH AFRICA

GOLD lacked clear direction in *cautious pre-weekend trade.* Stronger bullion prices provided some support, but gains were curbed by a firm financial rand. The all-gold index eased 5 to 1,358 while the overall index rose 13 to 2,582.

Economic woes restrain Australia

The recent gains give little cause for celebration, says **Kevin Brown**

AUSTRALIAN stocks have performed relatively well in the 11 weeks since President Saddam Hussein of Iraq invaded Kuwait, *but few investors see* much cause to celebrate.

After drifting down to around 1,300 earlier this month, the All Ordinaries index closed at 1,388.6 last night, 13 per cent below its level *on August 1, the day* before the Iraqi invasion.

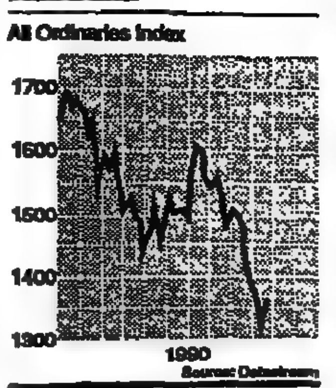
That ranks as a good performance compared with the big falls in the US, Japan, New Zealand and other markets in the Asia Pacific region.

However, analysts say the strength of the Australian market is misleading because its recovery from the global stock market crash in October 1987 has been far slower than most other markets.

The index slumped to a low of 1,151 a month after the 1987 crash, after having peaked at 2,300 the previous September, and took two years to claw its way back to a post-crash high of 1,781 in October 1989.

Australia

All Ordinaries Index



Source: Datastream

The index had drifted down to 1,578 by the time Saddam sent in his troops, but it moved up 2 per cent on the day of the invasion, partly on hopes that higher oil prices would be good *for energy stocks.*

Since August, the index has fallen more than 200 points in spite of two cuts in interest rates. Most analysts say the 42 point rally over the last week is unlikely to be sustained.

The principal reason is the deteriorating economy. September quarter figures, due next month, are expected to show a second consecutive *quarter of negative growth.*

Mr Alan Jury, senior analyst at Macquarie Bank, says the gloom is likely to increase as the company reporting season wears on. Major industrial companies such as ICI and CSR *are thought to have had a difficult* year, and the three quoted trading banks are likely to announce further large provisions against bad debts.

A fall in the Australian dollar to 77 US cents – from a peak of nearly 85 cents – should boost commodities-related stocks, but will probably do little more than moderate the impact of a decline in the terms of trade.

On top of all this, Australia *is also finding it difficult* to attract investment because of a tarnished image caused by the collapse of companies run by celebrated entrepreneurs such as Mr Alan Bond.

How far the market is likely to fall is difficult to judge, and most analysts agree that trading *is likely to be volatile* as investors look for a lead from Japan and the US.

Mr Bryan Madden, director of research at Prudential Bache Securities, says the outlook is mixed because the economy may well return to positive growth in the December quarter before slipping back *into recession next year.*

"It is also important to remember that the fall in the market over the last 10 months has happened over a period when interest rates have been cut by 500 basis points," says Mr Madden. "*With rates* likely to continue to come down I would expect continued volatile trading, probably in a range between 1,250 and 1,450."

Transport stocks are likely to be hit by any further *increase in oil prices, but there* is plenty of potential for improvement in energy stocks – the oil and gas index is up only 6 per cent since January, compared with an increase of 69 per cent in world oil prices.

ASIA PACIFIC

Volume rises on crash anniversary

Tokyo

EQUITIES closed firmer as the yen's continued strength and firmer bond prices lured investors from Japan and abroad back into the market, *Reuter reports from Tokyo.*

Turnover surged to 1.1bn shares on the third anniversary of the October 1987 crash, a record for the year. That compared *to 700m shares on* Thursday. The last time volume was that high was in early December 1989, when the Nikkei average charged to its all-time high *of* 38,915.87.

Yesterday, the Nikkei closed *114.41 or 0.47 per cent higher at* 24,481.49, its fifth consecutive daily gain. The index, which rose 9.3 per cent on the week, reached a high of 25,003.17 and a low of 24,363.92 during the day.

The broader first section Topix index closed 32.76 firmer to 1,816.29, with more than 95 per cent of first-section issues traded. Advances outpaced losers by nearly four to one, with 801 higher, 221 lower and 97 unchanged. In London, the ISE/Nikkei 50 index fell 3.41 to 1,402.39.

"The near-term outlook is optimistic," said Mr Gregory Bundy, head *of equity* trading for Merrill Lynch Japan. "We're seeing a lot of buying by overseas investors whose portfolios have been underweighted in Japanese equities."

However profit-taking prevented the Nikkei from charting further advances. "There were lots of buyers but you shouldn't overlook the day's sellers either," said Mr Masahiko Tsuyuzaki, chief trader at *Tachibana Securities.*

"A lot of the selling today can be written off as position-squaring ahead of the weekend. But there were also many people who thought the pace of the gains might be a little too fast, and they decided to get out before the Nikkei gets arrested for speeding," he said.

Financial issues continued to gain on the stronger yen, along with select domestic demand-linked issues and large-capital stocks. Key gainers were the brokerage, banking, transport, airline, non-life insurance, credit and leasing, real estate, electrical, rubber and machinery *sectors.*

A round of heavy selling made the construction sector the key decliner, followed by the gas, electric power and foodstuff sectors.

Roundup

GAINS in Tokyo and New York pushed the Pacific Rim higher.

HONG KONG's Hang Seng index rose 41.43 to 2,991.95, having pierced 3,000 at mid-*session, giving* a weekly *gain of* 2.6 per cent.

A surprise half percentage point cut in the prime rate to 10 per cent announced after the market closed could boost shares next week. Turnover rose above HK$1bn for the first time in three weeks to HK$1.1bn, up from HK$797m on Thursday.

KUALA LUMPUR rose on hopes of progress in the Middle East. The composite index put on 7.35 to 476.79, up 1.1 per cent on the week, on turnover of 35.6m shares, up from 33.8m.

SINGAPORE closed sharply higher as institutions and foreign investors moved in. The Straits Times industrial index firmed 28.32 to 1,189.85, up 4.1 per cent on the week. Turnover climbed to S$87.13 from S$51.19.

TAIWAN continued to gain. *The weighted index added* 25.79 to 2,916.90, up 11.3 per cent on the week. Volume rose to T$33bn, up from T$26.2bn.

MANILA lost early gains as participants sold into a morning rebound. The composite index advanced 3.30 *to* 540.45, down 0.9 per cent on the week. Volume rose to 79.6m pesos from 44.53m pesos.

Oils were heavily bought in anticipation of the beginning of oil drilling in the southern Philippines.

SEOUL rose for the third day. The composite index was up 18.95 to 685.51, up 10 per cent on the week, in robust volume of Won222.6bn.

New Zealand fails to lure buyers

Positive noises from the US have been ignored, says **Dai Hayward**

THE NEW ZEALAND stock market has failed to respond to strong recommendations from US investment analysts last month that New Zealand shares are now among the world's best buys. The market has lost 22 per cent this year in US dollar terms, according to the FT-Actuaries World Indices, and 7.2 per cent since the *start of last month.*

In early September, New Zealand shares were rated the second cheapest in the world after the Netherlands in a comparison of 20 leading markets by the Leuthold Group of advisers *in Minneapolis.*

Leuthold advised its clients that Fletcher Challenge and Carter Holt Harvey were "excellent long-term forest asset plays". It cited the self-sustaining forest resources of the two groups as valuable assets in a world where conservationists are slowing the felling of native forests.

Salomon Brothers of New York also recognised the New Zealand market as being very attractive. Mr Michael Holland, the group's asset manager, said New Zealand's 12 largest companies provided good buying *opportunities still widely unrecognised by US investors.* Positive changes in the economy, the earnings and dividend ratios of leading stocks, along with the government's balancing of the budget, were contrib*utory factors.*

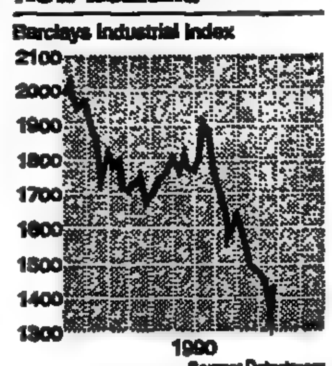
First Boston and Potter Warburg also regard New Zealand shares as good value.

However, there has not been any noticeable upsurge in US investment in the market as a result. Earlier this year, the New Zealand stock market was driven by overseas investment, particularly from Asia and the US. Some of this investment has slowed in recent weeks as many US institutions have reached their targets.

Total US investment in the New Zealand market is estimated by brokers to be between $600m and $700m. Leuthold's senior analyst, Mr Jim

New Zealand

Barclays Industrial Index



Source: Datastream

Floyd, was reported as saying his group alone had invested $9m in 10 leading New Zealand stocks this year.

Local brokers are having a lean time. Much of this is due to pre-election uncertainty and doubts about future economic policy, irrespective of who wins the October 27 election.

Some good results in September annual reports, including those from Brierley Investments and Fletcher Challenge, did not give any noticeable lift to the market.

Millions of dollars are being *held in banks and solicitors'* trust funds. Some solicitors report their trust funds are double their normal size, holding NZ$10m ($6m) or more.

The rapid increase in value of stocks, which in pre-1987 *crash days attracted thousands* of small first-time investors, has ended and those investing in the market now are seeking good dividend returns rather than growth. This has concentrated interest on the top 10 companies.

In spite of a 30.67 point rise in the Barclays index to 1,443.97 yesterday, the undertone of the market is weak, shares are losing ground and volumes are low. In this climate, only large-scale investors are likely to be tempted to look for the good buys which the US advisers, as well as many in New Zealand, claim are now available.

EUROPE

Michelin plunges after loss warning

LOWER oil prices helped most bourses finish the week on a firm note, though Sweden fell on concerns about its economy, *writes Our Markets Staff.*

PARIS concentrated on Michelin following the company's warning late on Thursday that it would make a loss of FFr2.3bn in 1990. The CAC 40 index fell 2.97 to 1,644.70, but rose 4.4 per cent on the week.

However, most analysts believed that the tyremaker would run a deficit of up to FFr3bn for this year and between FFr1.5bn and FFr3bn next year. The stock, which was suspended early in the day after a deluge of heavy selling, closed FFr8.80 lower at FFr59.20. It was the day's most actively traded stock with 920,978 shares dealt.

Peugeot came under pressure on speculation that Michelin might sell its 5.8 per cent stake in the car company. The news that Michelin's tyre stocks are running at 50 per cent of sales, as opposed to 25 per cent in the past, raised fears that Peugeot's car stocks are also rising. Peugeot lost FFr9 to FFr520.

Meanwhile, the stock exchange launched an investigation into the leakage of information about Michelin's losses while Thursday's closed company meeting was taking place, causing the stock to be suspended after plunging below its daily permitted limit.

Axa-Midi was re-quoted after Thursday's press conference to announce the company's restructuring and the shares rose FFR14.90 to FFr212.90.

FRANKFURT saw early gains from falling oil prices and a solid Wall Street and Tokyo performance but it slipped back later. The DAX index ended up 12.02 at 1,4802.09, up 1.5 per cent on the week, and the FAZ closed up 5.95 at 635.24, a 1.7 per cent gain on the week. Turnover rose to DM4.9bn from DM4.4bn.

Siemens picked up *DM7.20* to finish at DM589 on speculation that it will announce better-than-expected results for the year. Continental lost DM2 to DM251, affected by Michelin.

MAN gained DM6 to DM356 following the announcement of a rise of DM2 in its dividend to DM11. County NatWest has raised its estimate for the company's earnings per share to June 1991 from DM25 to DM27.

Volkswagen offset the general trend by *falling DM6.40* to DM407.10. Analysts said the announcement of a large investment in eastern Germany or the loss of tax concessions may have contributed.

MILAN rose in technical correction *to a week of listless* activity. The bourse was crippled on Thursday by a floor traders' strike. The Comit index rose 10.25 to 562.94, up 1.5 per cent on the week.

Olivetti rose L117 to L4,147. At an analysts meeting yesterday, company officials were reported to have said revenues would be flat for the next two to three years but were confident that Olivetti was in a stronger competitive position *than its European rivals.* They apparently avoided answering questions on how Olivetti would stop losing market share to US rivals, such as Compaq.

Montedison rose L39 to L1,264 as its chances for buying out the government's shares in Enimont appeared to improve.

Banco di Napoli, which said its L200bn offer of 12.5m non-voting savings shares was 97.7 per cent subscribed, rose L300 to L17,450.

STOCKHOLM closed lower in cautious trade as investors looked for signals on what moves the government would take to stabilise Sweden's economy. The Affärsvärlden general index *fell* 4.5 to 915.1, down 4.9 per cent on the week.

AMSTERDAM closed narrowly mixed as late afternoon option-related selling and setbacks in London and Wall Street reversed an earlier uptrend. The CBS Tendency index came off a high of 98.0 to close 0.2 lower at 97.2, a rise of 3.1 per cent on the week.

ZURICH was helped by demand in blue chips following firmer overseas markets but gains were cut later by profit taking. The Crédit Suisse index closed 1.9 up at 504.5, a rise of 0.8 per cent on the week.

OSLO's all-share index closed up 11.22 at 515.16, up 0.3 per cent on the week, on volume of NKr287m.

MADRID rose 3.5 to 232.45, up 7.5 per cent on the week.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	THURSDAY OCTOBER 18 1990								WEDNESDAY OCTOBER 17 1990					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1990 High	1990 Low	Year ago (approx)
Australia (78)	125.82	+0.1	93.95	97.76	97.24	106.85	+1.1	7.28	123.70	93.33	97.90	97.18	105.68	152.31	123.49	148.75
Austria (19)	201.80	+2.3	153.12	159.33	158.48	158.55	+2.5	1.72	197.31	148.67	156.16	155.00	154.86	[illegible]	176.57	163.64
Belgium (61)	135.33	+0.1	102.68	106.84	106.27	103.79	+0.1	5.58	135.18	102.00	106.98	106.19	103.68	160.02	126.67	141.94
Canada (120)	121.52	+0.2	92.20	95.93	95.42	103.43	+1.2	3.86	121.24	91.40	95.95	95.24	102.24	153.61	121.24	151.30
Denmark (33)	254.36	+0.6	193.00	200.83	199.75	199.44	+0.1	1.49	254.45	191.99	201.38	199.89	199.17	277.62	234.05	205.34
Finland (26)	102.26	−0.1	77.60	80.76	80.32	78.75	+0.1	3.57	102.33	77.21	80.99	80.39	78.70	152.29	100.75	124.97
France (123)	141.14	+1.6	107.09	111.42	110.83	112.08	+1.6	3.67	138.89	104.79	109.91	109.10	110.29	168.85	124.96	135.73
Germany (91)	116.08	+1.8	88.07	91.66	91.15	91.15	+1.8	2.47	114.02	86.03	90.25	89.57	89.57	144.63	101.36	98.16
Hong Kong (46)	119.58	−0.2	90.73	94.41	93.91	119.40	−0.1	5.53	119.82	90.40	94.82	94.13	119.54	147.49	112.24	112.28
Ireland (17)	157.01	+0.1	119.13	123.96	123.30	124.81	+0.5	4.19	156.83	118.33	124.12	123.20	124.19	198.57	139.04	162.70
Italy (91)	83.62	−0.1	63.44	66.01	65.66	70.75	+0.0	3.45	83.73	63.17	66.26	65.77	70.75	109.28	80.87	86.71
Japan (454)	137.79	+2.0	104.55	108.79	108.22	108.79	+1.8	0.79	135.05	101.89	106.88	106.10	106.88	197.26	106.58	185.61
Malaysia (35)	186.89	+0.3	141.83	147.39	146.80	183.70	+0.2	3.17	186.04	140.37	147.23	146.14	183.24	250.89	162.96	198.66
Mexico (13)	520.92	+0.2	395.25	411.28	409.08	1661.95	+0.3	0.41	519.95	392.30	411.49	408.45	1657.70	561.41	324.58	308.11
Netherland (41)	134.76	+0.7	102.26	106.41	105.85	104.73	+0.7	5.46	133.82	100.97	105.91	105.13	103.99	149.03	127.56	129.57
New Zealand (16)	52.74	+3.0	40.02	41.64	41.42	46.59	+3.1	7.29	51.18	38.62	40.51	40.21	45.19	75.36	50.73	78.90
Norway (27)	234.89	−0.5	178.07	185.29	184.30	186.98	−0.1	1.55	235.83	177.93	186.64	185.29	187.25	276.79	202.34	177.88
Singapore (25)	153.19	+1.5	116.23	120.95	120.30	120.37	+0.8	3.55	150.92	113.87	119.44	118.55	119.58	209.24	147.24	159.58
South Africa (60)	158.27	+1.0	118.57	123.38	122.72	128.66	−0.2	4.45	154.80	116.80	122.51	121.60	128.90	251.39	151.50	145.82
Spain (42)	145.35	+2.5	110.28	114.76	114.14	104.33	+2.7	5.32	141.74	106.94	112.18	111.34	101.58	182.25	128.54	159.96
Sweden (27)	171.00	+0.2	129.75	135.01	134.29	142.14	+0.4	2.86	170.59	128.71	135.01	134.01	141.55	234.93	158.07	180.85
Switzerland (67)	93.89	+1.8	71.24	74.13	73.74	74.13	+1.9	2.89	92.20	69.57	72.97	72.44	72.74	109.77	85.00	89.44
United Kingdom (300)	162.94	+0.1	123.63	128.63	127.94	123.63	+0.7	5.63	162.71	122.76	128.76	127.81	122.76	178.18	139.87	142.64
USA (533)	123.20	+2.3	93.48	97.28	96.76	123.20	+2.3	3.69	120.39	90.83	95.28	94.57	120.39	148.95	119.06	141.02
Europe (985)	137.25	+0.8	104.14	108.36	107.79	106.11	+1.1	4.40	136.15	102.73	107.76	106.98	104.99	157.65	124.91	125.92
Nordic (113)	182.62	+0.0	138.56	144.18	143.41	141.47	+0.2	2.13	182.60	137.77	144.51	143.45	141.18	223.29	172.39	168.49
Pacific Basin (656)	136.29	+1.9	103.41	107.61	107.03	108.78	+1.7	1.15	133.74	100.91	105.84	105.06	106.95	182.75	107.82	181.41
Euro−Pacific (1621)	137.05	+1.5	103.99	108.19	107.62	108.44	+1.5	2.48	135.06	101.92	106.90	106.11	106.89	174.16	118.08	169.31
North America (653)	123.02	+2.2	93.34	97.13	96.62	121.92	+2.3	3.97	120.35	90.81	95.26	94.56	119.21	148.45	119.26	141.33
Europe Ex. UK (685)	121.10	+1.3	91.89	95.63	95.12	95.65	+1.3	3.51	119.56	90.21	94.64	93.94	94.39	145.62	109.94	114.89
Pacific Ex. Japan (202)	117.89	+0.3	89.45	93.09	92.59	105.11	+0.7	6.24	117.59	88.72	93.07	92.38	104.33	146.72	117.08	130.98
World Ex. US (1814)	136.94	+1.4	103.90	108.12	107.54	108.89	+1.4	2.54	135.05	101.88	106.87	106.08	107.36	173.77	117.12	158.99
World Ex. UK (2047)	128.00	+1.9	97.14	101.09	100.55	112.40	+1.8	2.67	125.63	94.79	99.43	98.70	110.36	162.00	115.37	152.40
World Ex. So. Af. (2287)	130.96	+1.7	99.38	103.42	102.86	113.39	+1.7	2.89	128.77	97.16	101.92	101.16	111.46	161.84	118.04	151.54
World Ex. Japan (1893)	128.96	+1.5	97.85	101.83	101.29	115.87	+1.7	4.24	127.02	95.84	100.53	99.80	113.66	151.59	124.31	135.43
The World Index (2347)	131.13	+1.7	99.49	103.53	102.98	113.50	+1.7	3.00	128.92	97.27	102.03	101.28	111.59	162.05	118.33	151.50

Italian prices were unavailable 18/10. Latest prices were unavailable for this edition.

LONDON SHARE SERVICE

BRITISH FUNDS

1990 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
[illegible]						

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked

BRITISH FUNDS—Contd

1990 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
115	103¼	Do. 2 '94(102.9)	113¼	+⅛	3.37	4.14
156	150¾	Do. 2pc '96(67.9)	164⅞	+⅛	3.61	4.10
134½	123¼	Do 2½pc '01(78.3)	132⅝	+⅛	4.23	4.53
130⅝	119⅞	Do. 2½pc '03(78.8)	128¼	+⅛	4.28	4.54
[illegible]						

INT. BANK AND O'SEAS

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

FOREIGN BONDS & RAILS

AMERICANS

1990 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
[illegible]							

AMERICANS—Contd

1990 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
27¾	5⅜	Chase Manhattan $12½			$1.20	–	29.7
19¼	634p	Chem. Banking Corpn	634p	+2	$1.00	–	8.0
12⅝	5⅜	Chrysler $6¼			$1.20	–	10.6
18⅞	6⅞	Citicorp $1			$1.78	–	13.4
[illegible]							

CANADIANS

[illegible]							

Continued on next page

LONDON SHARE SERVICE

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BANKS, HP & LEASING

1990 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
£13¾	£9	ABN Amro Fl5	£9¼	+½	Q28%	2.1	8.9	5.3
303	161	ANZ $A1	162	–2	44c	1.4	11.0	6.4
233	172	Abbey National 10p	216	–3½	5.7	4.3	3.5	8.8
•274	128	Allied Irish Ord.	148	......	Q40%	3.3	6.1	6.7
85	47	Anglo Irish	52	+4	†Q18.7%	2.7	8.1	7.5
93	61	Ansbacher (H.) 1p	66	......	2.5	1.3	5.1	19.0
£71½	£32½	Bancaire Cie Fr100	£44½	+1½	Q12½%	–	3.0	–
£22½	£13½	Banco Bilbao Viz.	£14½	......	Q49.1%	2.7	5.4	10.1
206	136	Bank Ireland IrE1	145	+1	Q14.7%	2.9	9.1	5.1
£19½	£18	Bank Leumi	£19½	......	–	–	–	–
351	320	Bank Leumi (U.K.)	350	......	†15.0	–	5.7	–
129½	100	Bank Scotland	109	......	†4.55	3.4	5.6	6.9
100¼	83½	Do. 9¼pc Irrd Pf.	98½	......	9¼%	–	13.1	–
54	39	Bank of Wales	39	......	2.8	0.8	9.6	(18.7)
428	290	Barclays £1	357	–1	†h19.57	3.5	7.3	4.9
22	11	Benchmark 20p	11	–1	0.75	–	9.1	–
395	238	Brown Shipley £1	240	......	12.0	2.2	6.7	7.8
•435	285	Cater Allen £1	330	+7	N24.5	–	9.9	–
179	49	Chancery	49	......	9.0	2.7	24.5	2.0
£23¼	£15¼	Commerzbk DM10	£15½	+½	Q18%	–	4.0	–
£13½	620	Dai Ichi KBk Y50	729	+1	Q17%	6.2	0.5	34.4
£313	£194½	Deutsche Bk DM50	£212¼	+¼	Q28%	–	2.2	–
£20¾	£14½	Espirito Santo	£15	–½	Q75c	5.1	2.5	7.7
253	166	First Nat. Fin. 10p	188	–2	13.0	2.1	9.2	6.5
121	82	FNFC 6.3pc Cr. Pf.	93	–2	6.3%	–	9.0	–
£13½	633	Fuji Bank Y50	812	......	Q17%	♦	0.4	♦
325	262	Gerrard & National	277	–1	19.0	–	9.3	–
154	94	Guinness Mahon 10p	94	–4	2.1	–	3.0	–
328	194	Hambros 20p	212	–1	11.5	–	7.2	–
128	88	Do. 7.5pc Cr Pf.	94	+1	7½%	–	10.6	–
53½	31½	HK & Shang. HK$2.50	31½	–½	†hQ.38c	–	8.1	–
[illegible]								

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS – Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ELECTRICALS – Contd

[illegible]

ENGINEERING

[illegible]

ENGINEERING – Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

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MOTORS, AIRCRAFT TRADES — Contd

Components

1990 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
458	420	Abbey Panels	453	.....	3.5	10.8	1.0	12.0
225	145	Airflow Streamlines	145	.....	6.0	3.9	5.5	6.2
190	145	Bostrom 5p	162xd	.....	15.75	3.1	4.7	7.4
266	163	Dowty 50p	165	.....	9.0	2.1	7.3	8.0
239	119	FR Group	127	.....	6.37	3.2	6.7	6.1
135	55	Kwik-Fit Hldgs. 10p	72xd	−1	12.4	2.5	4.4	13.3
174	102	Lucas Inds	116	−1	†6.25	3.0	7.3	5.2
44	14	Do. Warrants	17	.....	–	–	–	–
80	60	Mid-States 10p	60	.....	s20.75	–	1.7	50.2

Garages and Distributors

1990 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
28	16	Alexanders 10p	17	.....	1.0	3.0	7.8	5.1
135	78	Appleyard 10p	79	.....	†7.8	2.4	11.2	4.3
110	55	Bletchley Motor 20p	60	.....	17.5	1.9	16.7	4.3
568	423	Caffyns 50p	423	.....	11.5	0.5	3.4	–
121	98	Central Motor Auction	106	.....	†5.25	3.2	4.1	10.1
61	26	Cook (D.C.) Hldgs.	31	.....	1.0	5.3	4.3	5.8
89	33	Cowie (T.) 5p	48	−1	4.2	1.5	11.7	6.7
95	56	Dagenham Motors 10p	75xd	+2	†5.25	2.8	9.3	5.2
98	75	Davenport Vernon 10p	78	.....	3.5	3.6	6.0	5.4
29	16	Equity & Gen 5p	20	.....	†1.5	1.7	10.0	(7.1)
247	163	Evans Halshaw	180	+3	11.25	2.4	8.3	6.6
113	85	Gates (F.G.)	90	.....	2.75	1.9	4.1	16.9
161	25	Gowrings 10p	41	.....	5.63	1.0	18.3	7.1
81	44	Jacks Wm	44	.....	†2.0	1.0	‡	21.6
118	53	Jessups	58	.....	7.0	2.5	16.3	3.3
297	172	Lex Service	192	−1	15.3	1.9	10.6	6.8
147	50	Lookers	79	+1	6.2	3.9	10.5	3.2
43	30	Malaya Group 10p	30	.....	2.0	♦	8.9	♦
133	88	Pendragon	100	−3	21.8	–	2.4	6.4
178	108	Perry Group	114xd	.....	9.0	1.4	10.5	8.4
[illegible]								

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY — Contd

1990 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
81	47	Do. 5¼pc Cv Pf '12	49	.....	5¼%	–	14.3	–
177	137	Hering Son & Dav 10p	145	.....	15.75	3.3	5.3	7.7
67	47	HK Land Hldgs.	51	+2	†06.15c	♦	6.6	♦
18½	7½	HINOCO 10p	7½	−½	–	–	–	–
250	225	Jermyn Invest	250	.....	3.0	16.9	1.6	4.9
37½	30	Key City Prop.	30	.....	–	–	–	–
550	443	Land Securities £1	506	−2	17.0	1.4	4.5	20.8
£91½	£76¼	Do. 10pc 1st Mt Deb 2025	£84¼	.....	Q10%	–	11.9	–
£91	£76¼	Do. 10pc 1st Db 2030	£85¼	.....	Q10%	–	11.9	–
670	506	Land Lease 50c	521	+8	Q70c	♦	5.6	♦
£95	£79¼	[illegible]	£85	.....	Q10¼%	–	12.1	–
88½	73	[illegible]	76	−1	8.88%	–	15.6	–
158	8	Lndn & Metropltn 5p	8	.....	6.65	2.9	–	0.4
48	22	Lon. Securities 15p	22	−2	1.5	4.8	9.1	2.9
81	44	Do. 8¾pc (Net) Cv	44	.....	8.25	–	23.9	–
549	413	MEPC	476	−2	†17.0	1.7	4.8	15.5
82	27	Markheath	41	.....	6.0	1.4	19.5	3.6
45	16	Marylebone Ests 5p	17	.....	†3.0	1.4	‡	4.0
215	13	McInerney 10p	13	.....	Q34.7%	–	17.3	–
175	120	McKay Secs 20p	140	.....	5.8	1.8	5.5	13.2
27	6	[illegible]	6	.....	1.0	–	22.2	–
436	203	Merivale Moore 5p	223	−5	10.5	5.0	6.3	4.3
63	8	Merlin Intl Props.	10	.....	2.0	–	26.7	–
71	23	Micklegate Grp. 1p	23xd	.....	L2.25	3.4	13.0	2.7
50	35	Molyneux Ests.	38	.....	20.5	–	1.8	–
107	37	[illegible] Estates 10p	44	+1	3.75	4.0	11.4	2.9
165	58	Mountleigh	76	−2	4.75	–	8.3	–
94	41	Do. 5.25pc Cnv Pf	48	+3	5.25%	–	14.6	–
1200	835	Mountview Ests. 5p	835	.....	11.5	11.0	1.8	6.6
40	8	Mount Group 10p	8	.....	s1.2	4.8	20.0	1.4
124	86	Muckiow (A. & J.)	107	.....	5.13	1.3	6.6	16.1
63	43	New Cavendish 5p	45	.....	–	–	–	9.5
27½	10	New Eng. Prps 5p	11	.....	1.0	2.3	12.1	4.0
19	11½	Ossory Estates 5p	13½xd	.....	0.85	1.2	8.4	12.5
237	135	Palmerston Hldgs.	140	.....	8.78	1.4	8.4	10.8
298	125	Peel Hldgs.	138	.....	10.0	0.2	9.7	–
38	1½	Peasant Props. 10p	1½	.....	†1.0	–	‡	–
204	113	Power Corp. 10p	120	−5	†075%	1.8	5.6	13.4
330	17	Priest Marians 10p	34	.....	43.3	12.2	12.9	0.8
£307½	£210	Do 6¼pc Cv Ln '00/03	£291½	−1	Q6.5%	–	22.0	–
78	11	Prior 10p	12	.....	5.0	0.5	–	(6.0)
[illegible]								

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

INVESTMENT TRUST

[illegible]

INVESTMENT TRUST — Contd

[illegible]

INVESTMENT TRUST — Contd

[illegible]

Net asset values supplied by County NatWest Wood Mackenzie

FINANCE, LAND, ETC

[illegible]

WATER

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS — Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES — Contd

Tins

1990 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's
35	25	Ayer Hitam SM1	25	.....	‡Q53.3c	0.7	–
75	45	Gopeng Berhad M$0.50	45	.....	Q11c	2.6	4.6
67	27	Malaysia Mng. 10c	32xd	.....	Q7c	2.3	4.1
160	130	Petaling SM1	130	.....	‡tQ180c	–	25.2
125	125	Sungei Besi SM2	125	.....	–	–	–
90	90	Tanjong Tin 15p	90	.....	–	–	–

Miscellaneous

1990 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's
190	90	Anglesey Mining 9p	90	.....	–	–	–
110	13	Do. Warrants	16	+3	–	–	–
17	7	Anglo-Dominion	7	−1	–	–	–
651	222	Bond Intl. Gold	229	+1	–	–	–
37	13	Butte Mining 10p	13½	.....	–	–	–
44	8½	Colby Mines	8½	−½	–	–	–
122	28	Cons. March. 10c	28	.....	Q30c	5.9	26.7
[illegible]							

THIRD MARKET

1990 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]								
57	28	Ovoca Gold IR 2p	29	+1	–	–	–	–
72	22	Oxford Virology 5p	22	.....	–	–	–	–
83	62	Paddington 5p	77	.....	–	–	–	–
118	65	Ramsden's (Harry)	65	−5	14.5	1.2	9.2	12.8
60	27	Rentaminster 5p	27	.....	sa1.85	2.8	♦	5.3
38	7	Semper nova	9	.....	–	–	–	2.0
34	17	Sleepy Kids 5p	17	.....	–	–	–	–
3½	1½	Systems Connections	2	.....	–	–	–	–
94	48	Tomorrows Leisure 20p	48	.....	1.0	♦	2.8	♦
50	27	UPL Group 10p	29	.....	–	–	–	–
99	16	Video Magic Leis. 1p	21	+2	–	–	–	–
6½	2½	Vista Ents 5p	2½	.....	–	–	–	–
5½	1½	Wilton Group 1p	1½	.....	–	–	–	5.9

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm −) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ● USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- ¥ Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♠ Not comparable
- ♦ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- No par value

B.Fr. Belgian Francs. Fr. French Francs ■ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1990-91. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+ or −
Craig & Rose £1	780	.....
Finlay Pkg. 5p	40xd	.....
Holt (Jos) 25p	1305xd	.....

IRISH

Stock	Price	+ or −
Cap. 9½% Ln. 1991	£98½	.....
9pc Cap Ln. 1996	£94¼	.....
Fin. 13% 97/02	£110¼	.....
Arnotts	180	.....
Carrol (P.J.)	152	−2½
Hall (R. & H.)	165	.....
Helton Hldgs.	52	+2
IRG	155	.....
United Drug	140	+10

TRADITIONAL OPTIONS

3-month call rates

Industrials

Stock	p
Allied-Lyons	40
Amstrad	6
Astec (BSR)	4½
BAT	45
BOC Grp	39
BTR	29
Barclays	27
Blue Circle	17
Boots	21
Bowaters	41
Brit Aerospace	43
British Steel	13
Brit. Telecom	22
Cadburys	26
Charter Cons	37
Comm Union	37
Courtaulds	25
Eurotunnel	40
FKI	5½
FNFC	28
Gen Accident	37
GEC	14
Glaxo	57
Grand Met	44
Guardian	15
GKN	27
Hanson	16
Hawker Sidd	39
ICI	70
Ladbroke	22
Legal & Gen	29½
Lex Service	28
Lloyds Bank	21
Lucas Inds	11
Marks & Spencer	18
Midland Bk	20
Nat West Bk	18
P & O Dfd	42
Polly Peck	40
Racal Elect	14
RHM	23
Rank Org Ord	49
Reed Intnl	30
STC	19½
Sears	8½
SmKl. Beecham A	44
TI	37
TSB	10
Tesco	19
Thorn EMI	49
Trust Houses	21
T&N	14
Unilever	50
Vickers	17
Wellcome	38

Property

Stock	p
Brit Land	24
Control Secs	3½
Land Securities	42
MEPC	38
Mountleigh	11

Oils

Stock	p
Aviva Petlm	5½
Brit Petroleum	28
Burmah Castrol	44
Conroy Petlm	20
Gaelic Res	2
Premier	8½
Shell	40
Tuskar Res	6
Ultramar	31

Mines

Stock	p
Lonrho	21
RTZ	40

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £1050 per annum for each security.

FINANCIAL TIMES
Weekend October 20/October 21 1990

New trouble-shooting chairman will earn £450,000

Dan Air parent group given £30m rescue deal

By Paul Abrahams

A £30m rescue package has been agreed for Davies & Newman, the parent of Dan Air, the UK's third largest airline, which includes a £450,000 contract for a new group chairman.

The deal was announced the day after Mr John Major, the chancellor, urged company directors to limit their pay increases as part of the battle against inflation. The company's previous chairman earned £36,000 in 1988.

The complicated and unusual refinancing package and boardroom shuffle was hammered out yesterday at the headquarters of the merchant bankers, Barings.

Davies & Newman's creditors, led by Lloyds Bank, extended and expanded its working capital facility from £40m to £70m until December 31, 1991. As well as normal banking fees, the banks will receive a further fee related to the net asset value of the company at that date.

The new group chairman, Mr David James, said Davies & Newman would have collapsed into receivership if it had not secured the extension.

"Its airlines would have had to curtail their operations and the shareholders funds would have been put at risk," he added.

Mr James, who is known as a trouble-shooter, has attempted the rescue of a number of companies including Eagle Trust, North Sea Assets and Central and Sherwood.

"The remuneration is an incredibly modest sum. I don't know why I don't register as a charity," said Mr James yesterday.

He explained that he was only receiving a flat fee and would provide his own office accommodation and secretarial support. He has refused to take any options in the company and in the meantime, will continue to act and be paid as chairman at Eagle Trust.

He replaces Mr Frederick Newman, who had been a director of Davies & Newman since 1946 and managing director since 1965.

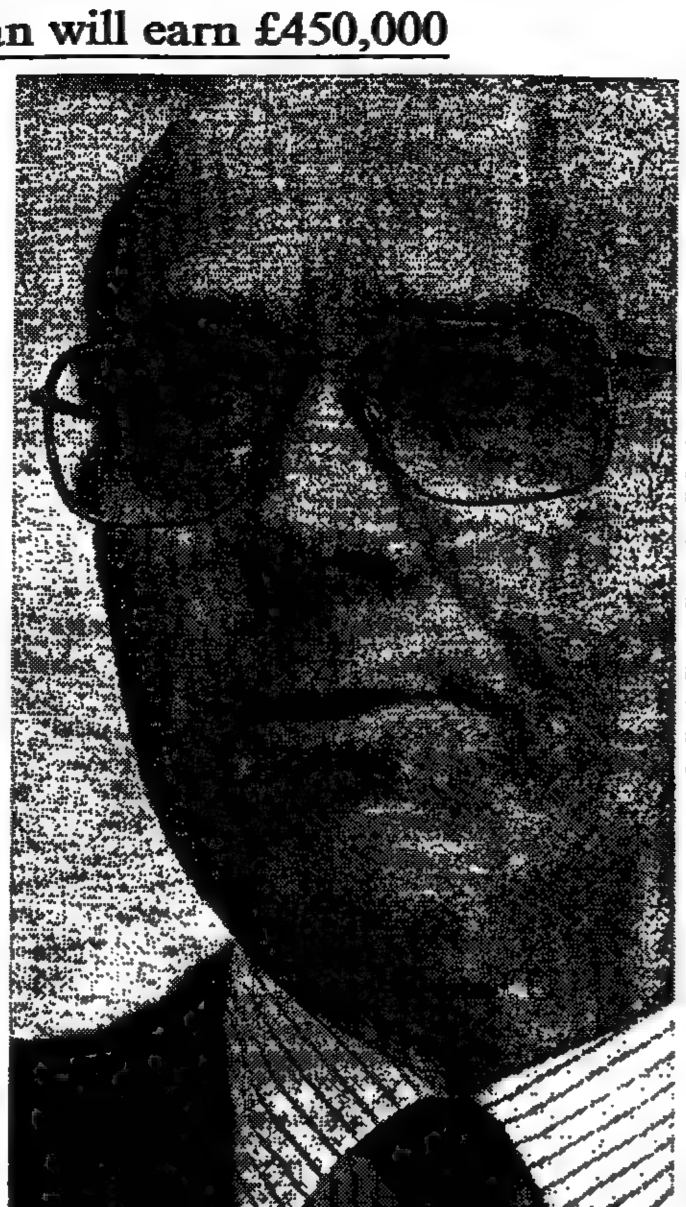
Mr James said the results for Davies & Newman for the first six months of 1990 would indicate that the company had been trading at a significant loss – certainly larger than the £7.66m loss during the same period in 1989, Mr James said.

Mr James said he would be looking at all options for the company's four divisions, which involve charter and scheduled airline operations, aircraft engineering, and ship broking.

He explained that the options available remained varied and included holding the companies, associating them with other groups or divestment.

However, he warned that anyone who thought they could acquire part of Davies & Newman at a knock-down price, ought to think again.

The fuse that came close to the powder keg, Page 8



Tony Andrews

Mr David James: new chairman of Davies and Newman. "I don't know why I don't register as a charity"

Jaguar unions to back offer of 12.5%

By Michael Smith, Labour Correspondent

UNION LEADERS at Jaguar, the car manufacturer, agreed yesterday to recommend a management offer which would raise pay for manual workers by 12.5 per cent in the first year of a two-year deal.

Jaguar's offer, which would mean a 7 per cent rise in the second year of an agreement, comes after a week in which the government has repeatedly warned companies against agreeing to inflationary pay deals.

In addition to the pay deal, the company has agreed to cut the working week for the 9,500 manual workers by two hours.

However, Jaguar said that 4 per cent of the first year's pay rise was an allowance to cover improved working practices. Much of the deal would be self-financing.

The proposed deal compares with about 12.4 per cent won by Vauxhall workers and a likely award of more than 13 per cent at Ford.

Both the Ford and Vauxhall rises result from two-year deals struck last year.

Jaguar said it would achieve all the working practice changes it was seeking if the deal was accepted.

These included the end of a quota system, whereby workers stop work after doing a certain amount of tasks each day, increased flexibility among workers and a commitment for employees to inspect their own work.

Mr Jack Adams, national automotives secretary of the TGWU general workers' union, said that, broadly speaking, the working practice changes agreed in the package covered the company's requirements.

Mr Adams said unions had made arrangements for a very detailed report back to members so that they could understand the requirements that went with the offer.

Acceptance of the deal means the average earnings of a grade 3 worker – the largest group among the manual workers – would rise to £275 a week in the second year. Jaguar, taken over by Ford last year, is the second British car manufacturer to agree to a two-hour cut in working hours, following Rover's decision to do so earlier this year.

The concession will put pressure on Ford to make a similar concession to more than 40,000 manual workers employed by its other operations in next year's negotiations.

THE LEX COLUMN

Politics before markets

On the third anniversary of the 1987 crash, the behaviour of the UK markets has been curiously at odds with the optimism of the outside world. During the week, the oil price has fallen by some 20 per cent, Wall Street has risen three days running, US bond yields have defied the fall in the dollar and the Tokyo market is up nearly 10 per cent. But the FT-SE has fallen back below the 2,100 mark; and sterling, for the first time since ERM entry was announced, has fallen below its central rate of DM2.95.

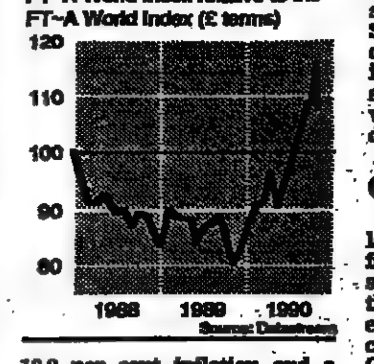
The chief reason seems to be political. The Tory defeat in the Eastbourne by-election was clearly unhelpful. But that aside, the growing sense in the markets is that Mr Major, for all his skill of presentation, is proving a more overtly political animal than his predecessor. The arguments in defence of the apparently premature cut in base rates have been badly received; and alongside the officially unspecified but clearly deteriorating outlook for gilt funding, the suspicion is that the next budget will be even more obviously vote-winning than usual.

The more detailed effects of the base rate cut on the equity market could therefore be a touch premature. Despite the excitements of ERM entry, the FT-SE is up only 1 per cent on a month ago. But the effect on stocks sensitive to interest rates has been dramatic. Tarmac and RMC are up 25 per cent and 29 per cent respectively, Kingfisher and Boots by 20 per cent and 16 per cent. The more soundly-based banks have benefited as well: Barclays by 12 per cent, Lloyds by 10 per cent. But there is a sobering reminder in the fact that the two worst performing FT-SE stocks have been Standard Chartered and Midland, down 25 per cent and 15 per cent respectively. The UK market may be distracted from the outside world; but it cannot ignore the fact that the global credit crunch still threatens over-borrowed companies and their bankers.

The unpleasant suspicion also remains that sterling's entry rate into the ERM owed more to political opportunism than to economic calculation. It is too early to say that sterling is at risk, or that UK interest rates may have to be raised again. But the nagging contrast remains between 10-year bond yields of 10.3 per cent in France and 11.5 per cent in the UK, while France enjoys 3.5 per cent inflation and a 2¼ per cent ERM band and the UK 10.9 per cent inflation and a band of 6 per cent. It comes back to foreign perceptions of the UK's resolve against inflation; the more the government is perceived as fighting its political corner, so much the worse for the markets.

FT-SE Index: 2,099.0 (+6.4)

UK



Davies & Newman

Dan Dare lives to fly another day. Doubtless some of Dan Air's rivals in the cut-throat airline business might have been hoping that Davies & Newman, the parent of the UK's third largest airline, would not survive its current financial crisis. Too much capacity, chasing too few customers, at a time when fuel prices have doubled, has already led to a number of casualties in the highly leveraged airline industry and there are bound to be more. However, Davies & Newman, whose aircraft fleet was nearly as old as its management, has been given a new lease of life.

A company doctor, with no previous airline experience but plenty of ideas, has been installed in the cockpit and the old family team has been grounded. Davies & Newman's financial problems are no different than those of many other companies in the current climate. It relied far too heavily on short-term finance and found it could not roll it over when the bankers lost confidence. Under the rescue package, the banks are putting up quasi-equity and in return stand to make an awful lot of money if Davies & Newman can fly out of the current airline recession.

If the new management is to be believed, Davies & Newman's shares would be worthless absent the rescue. Nevertheless, the last balance sheet showed shareholders funds of £44m and, even after the expected interim losses, this will only have shrunk to around £32m. If the net asset value can be rebuilt to £45m, then the banks will take £15m, plus earn their usual handsome spread on the £70m of facilities. Shareholders will get no dividend for a year at least and it is hard to believe that they stand to do anywhere near as well as the bankers out of this deal.

Composite insurers

It had to happen sooner or later. The signs had been there for months in the cracked clay soils across the south east that the composites were threatened with higher than usual claims for housing subsidence. Given that 1989's likely £400m of subsidence claims against the industry could be more than doubled this year, it is not surprising that Sun Alliance and Royal Insurance have finally spoken out. First, the bad news: September proved to be far worse for claims than anyone predicted. Worse, claim costs have raced ahead of inflation, driven higher by the technical difficulty of reaching an exceptionally low water table. Building structure rates look set to rise in the new year.

There are crumbs of comfort for the insurers, but nothing substantial enough to shore up the diminishing attraction of their high-yielding shares to investors. If the subsidence problem focuses consumer attention on the wider difficulties facing the leading composites, for example in motor and commercial property insurance, then wider rate increases could be on the way.

In addition, as ever, high claim rates are a double-edged sword for the companies. The concept of zoning has so far not been extended from cars and house contents to take account of soil types; the problem has been lack of information. This will be overcome as the claims mount up, so the prospect of more sophisticated pricing is real. The direct line insurers will be watching carefully for opportunities to poach business.

In the longer term, it now seems that all the leading composites bar Sun Alliance will struggle to maintain their recent dividend growth. Barclays de Zoete Wedd estimates that GRE, Commercial Union and Royal will have to earn a pre-tax return on capital of around 20 per cent this year if they are to sustain their dividends and retain profits for growth. That sort of return will prove a tough challenge.

Banks use rates drop to widen margins

By David Lascelles, Banking Editor

UK BANKS have taken advantage of the drop in interest rates to lower the rates paid to savers by more than those charged to borrowers.

Bankers say there has been a conscious effort to increase profitability by widening the gap between what they pay for deposits and what they charge for loans.

Two weeks after base rates fell by 1 percentage point to 14 per cent with the UK's entry into the exchange rate mechanism of the European Monetary System, all the big banks have now adjusted their lending and savings rates.

Barclays, the largest clearer, for example, has cut mortgages by 0.85 of a percentage point, but lowered its most attractive savings rate by 0.9 of a point.

The changes mark the first important adjustment in UK rates for two and half years, a period during which banking margins have been steadily squeezed.

Mr Gordon Pell, head of personal banking services at Lloyds, which is regarded as a pacesetter on rates, said yesterday: "The banking industry badly needs to raise margins, and this is an opportunity to do that."

Lloyds has cut its mortgage rate by 0.9 of a point to 14.8 per cent. But it has cut 1.1 percentage points off one of its most popular savings accounts for big balances, and 1.5 points off its interest-paying current account.

As with the Barclays figures, these are rates paid to the saver net of tax. The actual reduction in gross interest paid, which represents the real cost to the bank, is larger.

Mr Peter Toeman, banking analyst at UBS Phillips & Drew, said: "There is clear evidence that the banks are trying to rebuild their margins. Looking at individual product prices, those for savings are falling faster than for loans."

Apart from trying to widen margins, banks are pushing down savings rates because they have more money than they can usefully lend in a recession-hit economy. But the changes have not been uniform, with banks holding the line on accounts where they want to attract more business.

National Westminster, for example, has left savings rates on its upmarket Crown Reserve account unchanged.

There is also a limit to how far the banks can go without getting too far out of line with the building societies which have yet to announce their new savings rates. Halifax, the UK's largest society, said yesterday, that it was still trying to assess the political and economic outlook.

CHIEF PRICE CHANGES YESTERDAY

FRANKFURT (Dm)			
Rises			
BASF	205.1	+	5
BMW	429	+	8
Daimler	622	+	5.5
Deutsche Bk	623.5	+	7.5
Kaufhof	558	+	9
Man	356	+	3
NEW YORK ($)			
Rises			
Amer Brands	71⅝	+	1⅝
Exxon	48⅞	+	⅜
Kelloggs	69¼	+	2
Midlantic Corp	7⅞	+	⅛
Philip Morris	47¼	+	⅞
Falls			
Citicorp	13	–	⅛
PARIS (FFrs)			
Rises			
Axa Midi	212.9	+	14.9
L'Oreal	524	+	14
Soc Gen	410	+	12.5
Falls			
Codetel	91	–	4
Michelin	89.2	–	8.8
Peugeot	520	–	9
TOKYO (Yen)			
Rises			
Calsonic	[illegible]	+	38
JGC	2300	+	200
Seibu Railway	3530	+	240
Yasukawa Elec	780	+	46
Falls			
Asahi Optical	[illegible]	–	25
Fuji Spinning	581	–	29
New York prices at 12.30			
LONDON (Pence)			
Rises			
Brit Airways	146	+	6
Davies & New	155	+	15
Kynoch (G & G)	50	+	12
Logica	180	+	12
P & O	514	+	10
Racal Telecom	258	+	14
Reuters	701	+	12
Sun Alliance	301	+	8½
TACE	202	+	5
WPP	419	+	24
Whatman	360	+	15
Willis Corroon	215	+	6
Falls			
Brent Walker	66	–	8
IMI	187	–	7
MY Holdings	29	–	8
Optical & Med	75	–	6
Sheldon Jones	75	–	5
Siebe	267	–	9

WORLDWIDE WEATHER

UK today: Showery after morning fog patches in England and Wales. Rain in Northern Ireland and Scotland. Outlook: Cloudy with scattered showers.

		Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	F	27	70	Dallas †	S	7	45	Madeira	S	23	73	Prague	C	11	52
Algiers	C	23	73	Dublin	C	12	54	Madrid	S	16	61	Reykjavik	F	10	50
Amsterdam	F	15	59	Dubrovnik	F	23	73	Majorca	S	22	72	Rhodes	S	25	77
Athens	S	22	72	Edinburgh	C	11	52	Malaga	F	22	72	Rio de Janeiro	–	–	–
Bahrain	S	29	84	Faro	C	20	68	Malta	F	26	79	Rome	R	18	64
Barcelona	S	20	68	Florence	R	19	66	Manchester	C	14	57	Salzburg	F	16	61
Belfast	C	12	54	Frankfurt	S	18	64	Melbourne	C	13	55	S Francisco †	C	13	55
Belgrade	S	23	73	Geneva	F	15	59	Mexico City	–	–	–	Santiago	–	–	–
Berlin	C	15	59	Gibraltar	F	22	72	Miami †	S	24	75	Seoul	S	20	68
Biarritz	Fg	15	59	Glasgow	C	11	52	Milan	F	17	63	Singapore	T	30	86
Birmingham	Dr	13	55	Guernsey	F	17	63	Montreal †	C	8	46	Stockholm	R	7	45
Blackpool	C	13	55	Helsinki	R	6	43	Moscow	S	14	57	Strasbourg	S	10	50
Bombay	S	33	91	Hong Kong	–	–	–	Munich	C	12	54	Sydney	C	25	77
Bordeaux	R	14	57	Innsbruck	S	20	68	Nairobi	S	25	77	Tangier	C	22	72

C–Cloudy. Dr–Drizzle. F–Fair. Fg–Fog. H–Hail. R–Rain. S–Sunny. Sl–Sleet. Sn–Snow. T–Thunder. † Noon GMT temperatures

EC report sees big financial benefits from single currency

By David Buchan in Brussels

MASSIVE FINANCIAL benefits for the European Community – including savings of up to £13bn a year on exchange transactions – would result from the creation of a single currency.

This is the conclusion of a key report by the European Commission yesterday which also claims that economic and monetary union (Emu) would push up output by 5 per cent of Community gross domestic product and cut official reserves by Ecu160bn (£110.9bn).

The 350-page report, which comes after a year of preparation, has been released in the run-up to December's intergovernmental conference on Emu. Entitled One Market, One Money, it is designed to be the sales brochure for Emu that the 1988 Cecchini report was for the Community's single market programme.

Although its dense economics throw up few of the simple overall figures that Mr Paolo Cecchini did to make the single market so saleable, the Commission claimed yesterday that the report should spur governments to create a single federal central bank running a single currency.

"The benefits of full monetary union are enormous," said Mr Henning Christophersen, the EC commissioner dealing with macro-economic policy. "So let's us reap them as soon as possible."

He said that the UK, by joining the European exchange rate mechanism of the European Monetary System (EMS) with its inflation still mounting, had realised that "moving deeper into the (monetary) system would itself promote economic convergence" with other EC states.

The Commission report says that EMU would:

- Eliminate exchange rate uncertainty, amounting to between 0.7 per cent and 1.9 per cent in monthly variations
- Mean a specific increase in production by 5 per cent of GDP as investors were no longer put off by the risk of exchange rate fluctuations
- Lower the variability, as well as the rate, of inflation and thereby stimulate real output by 0.3 per cent of Community GDP
- Reduce interest rates for Germany's partners in the EMS, so that governments would gain more, in terms of less costly public debt service, than they would lose from no longer being able to print their own money
- Help the Community weather outside economic shocks, like the oil price rises stemming from the Gulf crisis, with smaller fluctuations in inflation and output. Mr Christophersen said that poorer, peripheral regions of the Community should gain from access to a better organised and unified capital market. He admitted, however, that there were budgetary difficulties for countries such as Greece having to put up their own money to match structural funding.

A detailed summary of the report will be published in Monday's paper

Gorbachev's reforms

Continued from Page 1

ferences yesterday because of the desperate plight of the Soviet economy.

"The most important thing is not the quality of the programmes. The most important thing is ensuring national agreement, the willingness to give up ambitious ideas, and give up confrontation," Dr Abalkin told a press conference.

Retail prices will be gradually liberalised while essential foodstuffs and consumer goods will be frozen. This is in line with the 500-day programme and not the government's alternative strategy for administered price rises.

However, the compromise still leaves the Soviet leader having to deal with the 15 union republics, especially the Russian federation, headed Mr Boris Yeltsin.

The plan gives all the republics sweeping powers to determine their own property laws, prices, social security regulations and the like.

However, the only way Mr Gorbachev can hope to implement rapid, radical and painful economic reforms is by presidential decree.

All sides in the compromise appealed to Mr Yeltsin yesterday to drop his objections and work with the presidential plan.

They said the programme still allowed Russia to go ahead with its own 500-day plan, as it also allowed other republics to draft their particular versions.

Mr Gorbachev was adamant on three issues:

- There was no alternative to a transition from centralised planning to a market economy.
- There had to be a multiplicity of property relations, including private property.
- The absolute priority should be to reduce the state budget deficit.

Dr Abalkin said that Mr Yeltsin's suggestion that every presidential decree must be ratified by republican parliaments "is the way towards chaos and disintegration of the country".

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Weekend FT

SECTION II — Weekend October 20/October 21 1990

Gulf war or peace? Yassir Arafat, leader of 6m Palestinians, may yet have a crucial role. ***Andrew Gowers and Tony Walker report***

The man who would not go away

IN THE last two weeks, a familiar, grinning figure in well-pressed khaki fatigues and a black and white chequered head-dress has returned to front pages and television screens around the world.

Irrepressible, theatrical and often infuriating, Yassir Arafat, chairman of the Palestine Liberation Organisation and president of a state that does not exist, is at it again – seeking to turn turbulent times in the Middle East to his own advantage.

The greatest irony is that Arafat's return to the spotlight has been facilitated by his sworn enemies in Israel. Ever since President Saddam Hussein of Iraq sent his tanks into Kuwait on August 2, it seemed Arafat had been consigned to the fringes of Arabia, unloved and unwanted by anyone. But when Israeli policemen shot dead 21 Palestinians on the Temple Mount on October 8 it was, in the callous language of a Palestinian journalist, "like manna from heaven for the PLO".

Arafat wasted no time in calling for an emergency session of the UN Security Council and for protection for Palestinians living under occupation. He demanded an urgent meeting of Arab League foreign ministers. He talked to the press. Soon enough, he was being courted again by the odd foreign politician, and the UN Security Council was seeking to assuage Arab sensibilities by harshly criticising Israel. Even the American President, in deference to Arab phraseology, has started referring earnestly to "the question of Palestine".

The West's effort to deny that there is any linkage between the Gulf crisis and "Palestine" – the minefield that Douglas Hurd, the British foreign secretary, stumbled into during his visit to Israel this week – is becoming more difficult to sustain by the day. And Arafat, the jester at the Arab court and possessor of one of the world's most readily identifiable faces, is positioning himself to reap the benefits.

He starts from an inauspicious position. Because of his stance over the Gulf crisis, the PLO leader – a man who used to be able to count on a beaming embrace in almost every Arab capital – is now *persona non grata* in more countries than at any time in his long and tortuous career.

Since August 2, Arafat has refused to side with most of the rest of the world against the regime of President Saddam Hussein. As a result his standing both in the Middle East and in the West (where it was never particularly high) has sunk to its lowest since the PLO was universally identified with a rash of international terrorism in the early '70s. In some Arab countries, the Palestinian leader is even barred from landing in his peripatetic private jet – a bitter snub for a man who has always been a stickler for protocol.

Yet Arafat was never likely to remain on the sidelines for long. He may cut an unprepossessing figure in the eyes of the outside world, but he remains "king" of 6m Palestinians strewn around the region and beyond. What is more, even though the bulk of Arab states may try to ignore him their fortunes and those of the Palestinian movement have been inextricably intertwined for more than two decades. It is a truism in Middle East politics that any effort to settle the Arab-Israel conflict without the Palestinians is doomed.

Recent weeks have been full of what must be painful ironies for Arafat. After all, Saddam Hussein has not always been the most reliable friend of the Palestinian movement; in the second half of the '70s, his regime sponsored the notorious Abu Nidal and other terrorist splinter groups that broke with the PLO mainstream and threatened the lives of Arafat and his close confidants. Terror operations undertaken by the Iraqi client Abul Abbas – most infamously, the hijacking of the *Achille Lauro* cruise liner in the Mediterranean in 1985 in which an elderly American Jew in a wheelchair was shot and dumped overboard – have brought nothing but opprobrium on the PLO's head, and exposed Arafat to ridicule as a leader unable or unwilling to discipline his followers.

Saddam's annexation of Kuwait, and the PLO's appearance initially of condoning his action, threatened to undermine all the Palestinian arguments about the inadmissibility of Israel's acquisition of Arab territory by force 23 years ago.

Moreover, the country Iraq swallowed is one to which the PLO leader owes a great deal. He got his start in Kuwait as a small-time businessman and road engineer by day, and political organiser by night. It was there, in 1958, that the first cell of Fatah ("conquest") was born – the underground Palestinian movement that Arafat fashioned into the dominant faction within the PLO and has led ever since. Rich Kuwaitis provided the first funding of Fatah terrorist operations against Israel in the mid-'60s, and over the years Kuwait has poured hundred of millions of dollars into PLO coffers.

Arafat also owes Kuwait's ruling al-Sabah family a more personal debt. For on one of the many occasions when his life has been in real danger – in 1970, when the PLO was embroiled in a bloody civil war in Jordan with King Hussein – it was saved by the intervention of emirate's Crown Prince, Sheikh Saad al-Abdullah.

Holed up with Arafat in an apartment building in Amman while Jordanian soldiers hunted the PLO leader in the streets, Sheikh Saad, who had come to Jordan to mediate, told him: "We're in this together. Either we'll both be killed or we'll both survive." He provided Arafat with a set of Arab robes, and the Palestinian leader was smuggled out of the country disguised as a Kuwaiti official.

However, what were once the most durable and consistent of Arafat's many political alliances have been coming unstuck. Egypt, for example, has always been a particular fixation for him. He was born in Cairo in August 1929 to a Palestinian merchant family, and as a student leader there in the early '50s he first displayed the theatrical talents that brought him to prominence in the Palestinian movement. In 1969 the friendship of the late President Nasser helped him take over the chairmanship of the PLO; and since then Egypt has rescued him from numerous political scrapes.

Less than a year ago, Arafat and Egypt's President Mubarak were working hard on a joint effort to promote talks between Israel and the Palestinians. Now the two men are barely on speaking terms, and the Egyptian press is waging a bitter propaganda war against the PLO.

Or take Saudi Arabia. Out of a mixture of fear and fellow-feeling, the Saudis have long been far the most important benefactors of Arafat's movement. Not long after the terror attacks on Israel began in 1965, Sheikh Ahmed Zaki Yamani, the confidant of King Faisal and later oil minister, made Fatah solvent with a donation of 22,000 riyals, and Saudi diplomats began discreetly supplying the guerrillas with arms through an official in their embassy in Ankara. In recent years, Saudi Arabia has contributed some $85m a year to the PLO and an unspecified, almost certainly greater, amount to the separate coffers of Fatah.

These contributions, coupled with the diplomatic assistance that the Saudi government has frequently afforded by passing private messages between Arafat and the US government, must now be in doubt. At the last reported meeting between Arafat and King Fahd on August 9 in Cairo, the Saudi monarch listened to the PLO leader in frosty silence before sweeping from the room.

The potential loss of Saudi support – and finance – is a particularly serious blow. Control of the money has long been one of the keys to Arafat's mastery of the fractious Palestinian movement. Although he is a frugal man, with little interest in or time for personal indulgence, he set out from the first to turn the PLO into the wealthiest of liberation movements, creating a bloated Palestinian bureaucracy and dispensing patronage far and wide in the style of the a traditional Arab potentate.

If he does not have the money for the salaries of his cohorts around the Middle East or for the welfare services for the 2m Palestinian refugees who owe him allegiance in the shanty-towns of Lebanon, Jordan, Syria and the Israeli-occupied territories, his political stature will soon be weakened.

But all this is not to say that Arafat is a spent force. He has bounced back from worse predicaments – indeed, the story of his life is one of remarkable political as well as physical survival. Quite apart from several near-fatal car crashes – thanks to his penchant for fast driving – he has escaped two murderous Arab civil wars; numerous attempts by his enemies in Israel and elsewhere in the Arab world to assassinate him; countless splits within the PLO and a full-scale mutiny within the ranks of his own Fatah movement; a 90-day Israeli siege and bombardment of his base in Beirut; and a direct hit on his political headquarters outside Tunis.

Luck has certainly played its part. But Arafat's survival also owes much to an acute tactical grasp of politics. Like the merchant his father was, Arafat understands the Middle Eastern bazaar – that world of conspiracy and betrayal – as well as any man alive. He knows how fragile and expedient political alliances can be; how ideologies and attitudes can be used and discarded like so many transient stage props. His entire career has been a search for temporary advantage amid this shifting scenery; a desperate quest for relevance in the face of persistent efforts to push him to the sidelines.

As he put it in a 1969 newspaper interview: "What meaning does the Left or the Right have in the struggle to liberate my homeland? I want that homeland even if the Devil is the one to liberate it for me."

Arafat's liaison with Saddam is just such a marriage of convenience. For a movement with little stake in the regional status quo, there is opportunity in upheaval.

What is more, in taking what many would say is the wrong side in the Gulf crisis, Arafat is showing himself in tune with what he has long seen as his most important constituency: the 1.6m Palestinians in the West Bank and Gaza who, since December 1987, have been mounting violent resistance to Israeli rule.

Two years ago, the Arabs of the occupied territories pushed Arafat into doing what he had always failed to do: recognise Israel and formally renounce terror with a view to qualifying for an official dialogue with the US and moving towards a peaceful settlement of the Palestinian-Israeli conflict. Now, these same people's frustration at the lack of progress towards meeting their aspirations for statehood has perversely turned Saddam into something of a Palestinian hero and reactivated the spectre of Palestinian terrorism. What else, says Arafat with more than a hint of fatalism, could he have done but to fall into line with this sentiment?

> *'Recent weeks must have been full of painful ironies for Arafat'*

The word from Baghdad is that Arafat is in surprisingly good spirits in spite of the gathering clouds of war. Persistent optimism amid besetting gloom has, in any case, always been his stock in trade. It is his ability to sustain the illusion of purpose and progress when things are only getting worse that has enabled Arafat to hold so diverse a movement together, more or less uniting a people divided by geography, religion and ideology in pursuit of a simple – and so far unattainable – goal.

In some ways – in his repetition of tired slogans, for example, in his theatrical rages, his perennial vacillation, or his constant myth-making about such details as his birthplace (he has said at different times he was born in Jerusalem, in Gaza and in Cairo) – he seems merely ridiculous. Even his closest supporters grumble at times about his devious and autocratic habits, and wonder whether a more decisive figure might not have made a better job of seizing such political opportunities as have presented themselves.

But even his internal critics would concede that Arafat, by his dogged, hyperactive persistence, has long since turned himself into an icon of the Palestinian struggle. Unmarried, non-smoking, non-drinking, he sleeps little and often works 20 hours a day; he travels relentlessly, always trying to stay one jump ahead of his enemies; like the engineer he was, he tries to attend to the smallest detail of his scattered and battered movement. He has just turned 61, but shows little sign of running out of steam.

Whatever the outcome of the current crisis, it is likely that a concerted effort to get Israel and its Arab enemies around a conference table will follow. If so, it is a safe bet that those who are now trying to ignore him will find Yassir Arafat wheeling and dealing his way back to the centre of their attention.

■ *Behind the myth: Yassir Arafat and the Palestinian revolution, by Andrew Gowers and Tony Walker, is published by W.H. Allen on October 22; £14.99.*

Lament for the vanishing shareholder

The Long View

BARRY RILEY

Captains of industry are convinced that it is worth making a serious effort to restore the role of the private investor in the stock market

LIKE MANY endangered species the private shareholder is liable to attract the attentions of conservationists. Perhaps they will manage to preserve him in a financial zoo somewhere, to attract the scrutiny of historians and curious visitors. But will they be able to stimulate him to breed, so that a viable herd can once again be turned loose?

During the past few months I have been privileged to sit as a member of the Confederation of British Industry's Wider Share Ownership Task Force under the chairmanship of Sir Peter Thompson, well-known for his achievements in turning a public sector workforce at National Freight Corporation, now NFC, into shareholders and transforming the group's performance.

I have been impressed by the commitment of the members of the Task Force to the cause of personal investment. They range from the chief executives of some of Britain's largest public companies to representatives of smaller businesses and the financial community. Naturally their personal priorities have tended to vary, because some have been more concerned with private companies and employee participation than with stock market investors. Nevertheless all have emphasised the need to promote a broader platform for popular capitalism.

Given the political background this lack of confidence about the security of capitalism might seem odd. Surely the free enterprise system has emerged triumphant after the collapse of East European socialism? And has not share ownership in Britain already been widened mightily after a decade and more of Thatcherism and privatisation?

Unfortunately that is not quite how British industrialists see it. Their shareholder registers tell a story of steady erosion of private investor support to make way for collectivised institutions: the proportion owned by small shareholders has halved in less than twenty years to under 20 per cent, less than a third of the current institutional proportion. The privatisation issues, with their vulgar ballyhoo and instant profits for the stags, are seen by many company chiefs as sending out entirely the wrong message: the emphasis should be on long-term rewards, not short-term winnings.

Finally, the corporate establishment sees the political pendulum swinging. Labour is well ahead in the opinion polls. Pay demands are running at well over 10 per cent, despite the poor industrial outlook and entry to the ERM. Maybe industrialists worry too much, but they fear that profit could become a dirty word again.

The dream of popular capitalism, with everybody a shareholder, appears to be dissolving. Instead the pension funds, life insurance companies and other collective funds are looming larger and larger. They block industry's route to a broader political constituency. To paraphrase Lord Nigel Vinson, an irrepressibly vocal Task Force member, and a tireless campaigner for popular capitalism, such funds have the function of turning somebody's money into nobody's money. Companies do not know how to relate to these faceless proprietors; tempers have cooled after the friction caused by fund managers' actions during the wave of hostile takeovers a year or two back, but the truce is fragile.

Of course, this happens to be a poor time to be promoting stock market investment. Share prices have gone nowhere in the past three years and many companies have been collapsing, including some quite big ones. The risks are all too apparent, but the rewards seem hypothetical. It is an unfortunate fact of life that small investors are much better at buying near the top of the market than at the bottom. That is one reason why the Task Force placed so much emphasis on education and on more effective marketing.

The tax system also needs rebalancing. At present there are tremendous incentives for investment in owner-occupied housing, and generous allowances are available against pension contributions, but direct share ownership is quite harshly treated. No wonder that people own £1,000bn worth of homes and have £300bn locked up in pension schemes but hold only £150bn of shares directly. The Task Force calls for an extension of the PEP principle and also a temporary front-end income tax allowance available for, say, five years on share purchases of up to £100 a month. The French *Loi Monory* created 2m investors in four years on a similar basis.

Such measures may or may not attract political support. I hope they do. But my own conclusion after sitting on the Task Force is that the future of wider share ownership lies mostly in industry's own hands. The political stunts tried by the government have largely misfired. It is now up to industry to decide whether a more commercially motivated approach is worthwhile.

In the past companies have delegated the marketing of their shares to the Stock Exchange and its members the stockbroking firms. To an increasing extent these intermediaries have found that dealing in equities for small investors is unprofitable. They have turned their attentions to the big institutional investors instead, and have switched their private clients into collective funds such as unit trusts (with higher commissions).

But companies have the option of by-passing the Stock Exchange and selling their securities directly to the public. This may leave them tip-toeing through a legal minefield, because there are legal constraints on companies which deal in their own shares, but perhaps they should acquire some armour-plated boots. There is potential both for big national companies and for small enterprises seeking local investor support.

Companies should also think carefully about the role of their own pension schemes; over the past 25 years three-quarters of the shares shed by private investors have effectively gone into company *pension funds*. Rather like Lord Vinson I believe the Task Force should have faced this issue more squarely, but although evaded this time it remains very much on the CBI's agenda.

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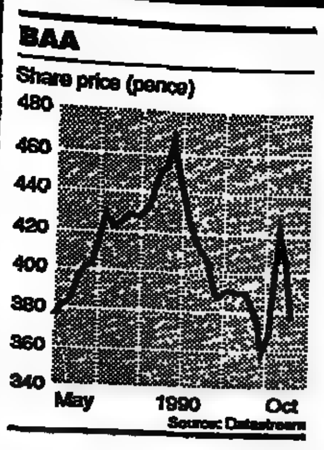
FINANCE & THE FAMILY: THIS WEEK

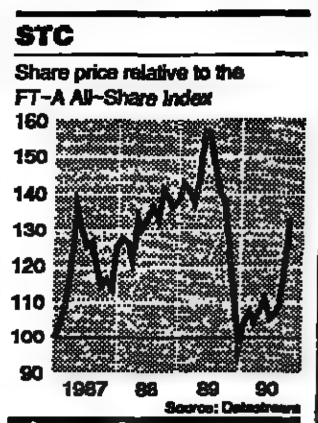
BAA

Share price (pence)



STC

Share price relative to the FT-A All-Share Index



Rocky ride for BAA shares

The share price of BAA, the privatised British Airports Authority, fell sharply, if briefly, in the middle of the week on a variety of concerns. The immediate trigger was the publication of figures which showed an increase in September's passenger traffic of only 2.4 per cent over the previous year. Added to that was a recurrence of talk in the market that ADT, the Bermuda-based conglomerate, was about to sell all or part of its 8 per cent stake in the company.

Analysts took the opportunity of reminding the market that there were some clouds on the company's horizon, despite its attractions as a relatively recession-proof investment vehicle. Next year the Monopolies and Mergers Commission reviews the company's pricing, and after 1992 there will be a loss of earnings from duty-free shops. *Daniel Green*

STC is focus of bid rumours

Recent speculation that STC, the electronics and telecommunications group, could attract the attention of a predator, drew a response from the company this week. STC said that it was "aware that possible options for potential partners could include an offer for the group." City analysts now regard a bid for STC as virtually a "done deal", with the bid price now the only stumbling block. Specialists said a theoretical break-up valuation of 335p is now probably too high a price to expect — 300p is thought by some to be sufficient to win the day. Alcatel, the French group, has emerged as favourite to win control of the group. *Stephen Thompson*

Scimitar trusts taken over

Capital House Investment Management has taken over the management of five authorised unit trusts run by Scimitar. The five funds are Scimitar's UK Equity Income, Pacific Basin, European, Global Growth and UK Capital Growth trusts. Scimitar will continue to manage its offshore funds. Capital House, which is a division of the Royal Bank of Scotland, has a policy of expansion via acquisition and agreed to take over the management of ten Windsor Life contracts in July. *Philip Coggan*

Weekend course for investors

Capel-Cure Myers is running a weekend conference for private investors who want to learn more about the stock market. There will be lectures on investing in equities, options, futures, and personal equity plans; how to analyse shares; and how to interpret reports and accounts. The weekend course takes place at Kilhey Court Hotel near Wigan on November 23-25. Further details are available from Farmer Public Relations, 6 Wolfreton Drive, Springfield Way, Anlaby HU10 7BY. *Sara Webb*

PEP guide from Chase de Vere

Chase de Vere Investments published its 1990/91 Personal Equity Plan (PEP) guide this week. It gives details of more than 300 different PEP schemes from 156 PEP managers and costs £8.95 from Chase de Vere Investments, 63 Lincoln's Inn Fields, London WC2A 3JX, although the purchase price is refunded if you subsequently decide to buy a PEP through Chase de Vere. *S W*

Property advice for expats

Guinness Mahon and Banco Zaragozano have established a service for UK expatriates and others planning to buy property in Spain. The Marbella based group, called BZGM, will offer advice on a range of problems including buying property in Spain, establishing residency, coping with taxation and establishing offshore companies. *P C*

INSIDE . . .

Heartbreak in a half-share home

Those who bought houses and flats at the peak of the property bull market have had a worrying few years. But many of those who clubbed together to buy with friends and lovers are now facing far worse problems than a fall in asset value. **Christopher Price** reports on a new twist in the depressed housing sector. Plus **Sara Webb** on how income unit trusts are finding new favour among investors. **Page IV**

How to freeze out cold callers

Life assurance salesmen should know better than to cold call **Clay Harris** at the office. Now you, too, can be rid of the telephone hard sell. **Page V**

■ **BRIEFCASE:** Dispute dogs neighbours — **Page V**

LONDON

City fails to take the chancellor's hint

WE ALL hoped that *Majorspeak would die out once* sterling had entered the exchange rate mechanism of the European Monetary System. Not so.

This strange language — a mixture of hint and innuendo which the *chancellor* uses to communicate with the City — is by no means extinct. But instead of being employed to nudge the pound to new highs, it is now used to convince doubters about the benefits of ERM entry.

It seemed to leave equity traders cold this week. The ERM and interest rate announcement two Fridays ago has given them a taste for excitement and, above all, clarity. Yesterday, for example, investors had to weigh up the surprise by-election result in Eastbourne, improved trading *on Wall Street*, and a large chunk of Majorspeak delivered in the Chancellor's Mansion House speech on Thursday night.

That did nothing to give the stock market a sense of direc*tion it has lacked. The FT-SE* 100 Index closed only 11.4 points down on the week at 2,089.

There seem to be two strands to the post-ERM pep talk. Interest rates will not come tumbling down and employees should no longer expect pay rises to track inflation. This is easier said than done. There seems no reason why British workers, looking at headline inflation of nearly 11 per cent, should suddenly cut their wage demands because a politician wearing white tie and tails tells them *to. As if to underline the point,* earnings increased by 10.25 per cent, year on year, in August.

Do not be fooled into thinking that stock market uncertainty is the same as stability. Even the professionals can get their fingers burned, as Kleinwort Benson, the investment banking group could tell you. On Wednesday, it lost £29m (£34m including costs) in possibly the most costly share deal in British securities history. The group was forced to place its 29.7 per cent stake in Premier Consolidated Oilfields, wiping out half its expected profits for this year at a stroke. When Kleinwort bought the stake in early August it hoped to make a profit on a quick sale.

Charles Hue Williams, who resigned as joint head of the group's equities division after admitting responsibility, will now recall that shares can go down as well as up.

Blushing City financiers can take some comfort from a small revival in bid activity. Burmah Castrol has its eye on the metallurgical and construction chemicals activities of Foseco. The UK lubricants, fuels and chemicals group launched a hostile £237m cash bid for Foseco on Monday. The group added a topical condition to its bid — if the price of Brent crude goes above $50-a-barrel in the next 60 days the offer may be lapsed.

STC, which announced it was selling its computer manufacturing subsidiary ICL to Fujitsu of Japan this summer, is also in talks which might lead to a bid from a rival telecommunications company.

Meanwhile, Severn Trent, the Midlands water company, is getting cold feet about its offer for Caird Group, the UK waste disposal company. Caird recommended ordinary shareholders to accept the 100p-a-share bid on Wednesday, but has cut its original profit forecast, and is making substantial extraordinary provisions against disposal losses and clo*sure costs. The shares* — nearly 30 per cent of which are already owned by an embarrassed Severn Trent — are now worth just 57p, down from 91½p a week ago.

If cash deals do not work, why not try barter — simply swap assets and eliminate those tedious fluctuations of sterling, dollar and yen which clog the mechanics of capitalism?

The government has finally approved the pubs-for-breweries swap planned by Courage, which is owned by Elders IXL of Australia, and Grand Metropolitan — but with strict qualifications. The two companies have a month to work out a deal with *Sir Gordon Borrie,* the director general of fair trading.

Another asset swap proposed on Tuesday had a more prehistoric ring to it: gold for timber. But this was not simply a case of one caveman *offering* another a nugget in exchange for a coppice; this was two of the world's greatest dealmakers agreeing to barter assets worth more than $1bn.

Hanson, the conglomerate founded and headed by *Lord* Hanson, is to exchange its troublesome 49 per cent stake in Newmont Mining Corporation, North America's largest gold-miner, for Sir James Goldsmith's Cavenham Forest *Industries, a US timber group.* Sir James claims he wants to exchange his deal-making career for a new role — fighting threats to the world's environment. But the Great Unbundler has postponed his retirement plans before, as BAT Industries can testify.

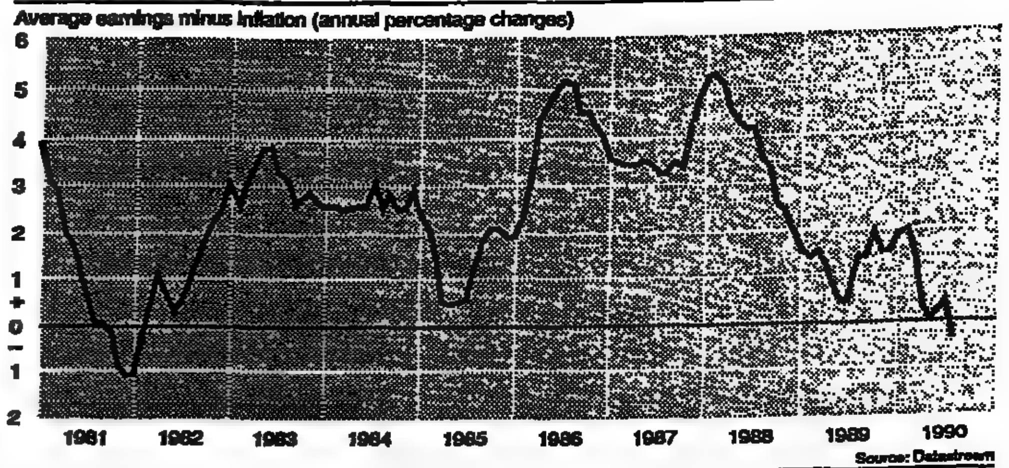
There are several British companies which would like to swap bad times for good. Next and Waterford Wedgwood are two of them. The fashion retailer and mail order group announced the expected cut in its interim dividend on Tuesday and revealed its profits had dropped from £16.2m to £2.3m before tax in the first half of the year. The group *plans to withdraw from* property development and, possibly, credit card operations, which is a small comfort to shareholders. Next's share price finished the week unchanged at 32p.

Waterford Wedgwood, meanwhile, saw net losses deepen to £22.6m in the first half of the year. In particular, its crystal division was hit by the depressed consumer demand and a strike. Shareholders may *have to wait until 1992 before* the Irish group can convert its brand-name strength into dividend payments again. In nervous times like these, stocks which have reached rock bottom at least have the attraction of stability.

Andrew Hill

Real earnings

Average earnings minus inflation (annual percentage changes)



HIGHLIGHTS OF THE WEEK

	Price y'day	Change on week	1990 High	1990 Low	
FT-SE 100 Index	2089.0	-11.4	2463.7	1990.2	Concern on UK economy
Abbey National	216	-12½	233	172	Hints of broker's sell circular
Allwoods	401	-35	530	377	Lower profits forecast
BAA	382	-23	472½	358	Poor traffic figures
Berls Hldgs.	170	+14	170	146	Confident interim statement
Brent Walker	66	-28	376	60	Uncertainty over Goldcrest MBO
British Petroleum	337	-12	384	302	Weak oil price/switching into Shell
Caird Group	57	-34½	234	57	Severn Trent bid hopes fade
Calor	223	-16	420	214	Burmah bid hopes fade
Castle Comms	203	-75	468	196	Exceptional losses
Davy Corp	92	-17	264	92	Delays in oil platform delivery
Foseco	278	+92	314	161	Hostile bid from Burmah Castrol
Highland Dists	225	+18	253	182	Takes stake in Rémy Cointreau
Legal & General	370	-21	440½	346	Insurers hit by subsidence claims
Willis Corroon	215	+24	295	185½	County NatWest buy recommendation

WALL STREET

Baghdad still calls the shots

IT MAY NOT be overly reassuring to think that Wall Street is so fickle that it can be manipulated by Iraq's propaganda machine and its effect on the oil price.

But consider the following: The current bear market has been framed by the fundamentals — an impending US recession, collapsed consumer spending, a continuing real estate crisis, a troubled banking sector, the $500bn savings and loan bail-out, poor manufacturing sector earnings and budget chaos in Washington.

Fundamentals? Why should the myopic money men of Wall Street care about domestic fundamentals when their longest term perspective is a 6½ hour trading session on the New York Stock Exchange?

Besides, this week's main market-driving fundamental is the price of oil.

Thus it was that the market staged a 65-point rally on Thursday, largely because of a $2 drop in the price of crude oil. And yesterday morning another $2 drop in November crude prices — to $34.50 a barrel — followed remarks by Iraq's first deputy prime minister that a "process of negotiations" might be in the offing to resolve the Gulf crisis.

These remarks, uttered in the friendly Iraqi suburb of Amman, Jordan, helped the Dow Jones average up another 25 points by yesterday's mid-session So Baghdad is still calling the shots on Wall Street, even more than the hapless George Bush and his Congressional provocateurs.

Meanwhile the US economy is sliding deeper into recession. But the knee jerkers of Wall Street seem unable to take the long view. Consider, for example, Dow Chemical, the second biggest US chemicals group, which announced a 52 per cent fall in third quarter net income, following a similar drop in second quarter net.

Wall Street's reaction to Dow's results and its warning that weak industrial markets may frustrate any short-term recovery was. . . to mark the share price $1¾ higher, because analysts had expected something even worse.

Wall *Street's short-termism* may also be seen in relation to the banking sector, where deteriorating asset quality has made some of the biggest money centre banks' balance sheets look dreadful. Last month Chase Manhattan said it would lay off 5,000 workers, take $650m of special bad debt provisions plus a $350m restructuring charge and report a $625m third quarter loss. On Monday, when Chase did as it forecast and the figures contained no new surprises, the market reacted with a ¼ point mark-up of the price before reason prevailed later in the week and the price fell once again.

The current round of third quarter banking results has in fact been worse than expected, with higher levels of non-performing loans and loan losses at both money centre banks and the regionals. Bankers admit that the deterioration of credit quality has been at a sharper rate than they themselves would have predicted last summer.

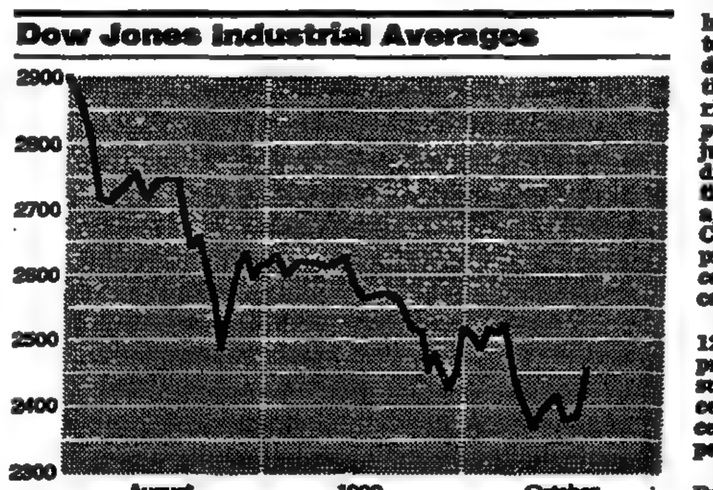
Chase and Chemical Bank have slashed their dividends to conserve capital. Citicorp, despite a 38 per cent drop in third quarter net and a $1bn rise in non-performing assets, *put up its loan loss reserves by* just $95m and did not cut its dividend. In these three cases the market has at least acted appropriately: the Chase, Chemical and Citicorp share prices have fallen by 69 per *cent, 65 per cent* and 57 per cent over the past 12 months.

Less fair has been the 12-month declines in share prices at West Coast banks such as BankAmerica (42 per cent), Wells Fargo (47 per cent) and *Security Pacific* (58 per cent).

Although George Salem of Prudential Bache is warning that California banks will eventually suffer as much as their East Coast counterparts, the current trend still seems a lot healthier.

Real estate losses in California are much lower than in the New England, New York or mid-Atlantic markets and while SecPac slipped in the third quarter the other two California banks actually chalked up better profits.

Dow Jones Industrial Averages



Monday	[illegible]	+ [illegible]
Tuesday	[illegible]	− [illegible]
Wednesday	[illegible]	+ [illegible]
Thursday	2452.72	+ 54.86

Alan Friedman

SMALLER COMPANIES

Lessons from unit trusts

FOR INVESTORS tempted to buy shares in smaller companies, but unsure how to select the best for themselves, unit trusts may be the answer. But above-average returns are far from guaranteed.

There is certainly no shortage of options for those interested in the field. In UK-focused general and growth unit trusts alone, there are around 50 with "smaller companies" or some variant in their title.

Using data from Micropal, the financial statistics group, the top performing shares over the five years to October 1990 are listed in the table.

Judging the trusts' performance over the past five years means that the figures are not completely distorted by the impact of the October 1987 market crash, although it excludes a good number of trusts which have been created since 1985.

Unit trusts in general underperformed the FT All-Share index, which increased by 79.12 per cent during the period. Smaller company unit trusts (up 43.81 per cent on average) underperformed other growth funds (53.23 per cent).

Nevertheless, the best smaller company unit trusts did very well, with John Govett up 122.5 per cent, making it the fifth best performing of all unit trusts during the period. Buckmaster and S & W were also all in the top ten.

Smaller company unit trusts outperformed their peers during 1986 and 1987, according to Chris Poll, chairman and managing *director of Micropal.* Since then, they have done worse as investors drew back and the UK economy turned sour. "As the recession bit, these companies have suffered from a smaller spread of activities," *he says, as well as the* more recent impact of high interest rates and falling consumer demand.

The contraction of brokers' research departments since Big Bang has also cut the number *of analysts following small* companies, he argues, giving investment managers less information.

In addition, "after the crash, a lot of trusts had redemptions," says Poll. "But they had *a great deal of trouble selling* smaller company shares." Since then, many unit trusts have been shedding their more liquid smaller company stocks as the opportunity arises, leaving only the less promising ones in their portfolios.

Mark Hirst, in charge of the ManuLife UK Smaller Companies trust, says the trend is still clear. "Managers faced with redemptions in tough times have had to release liquidity," he says. "That means some of the best stocks have to go. They end up with a deteriorating portfolio."

His own policy over the next few months is to shift funds into the larger small companies, with a market capitalisation of £100m-150m. When selecting new investments, he looks for management versatility, modest gearing and an asset base — which explains the dominance of property stocks.

Govett UK Small Companies Fund, the "winner" on a five-year view, splits its portfolio into three: 40 per cent is strategic, 45 per cent for long-term small company stakes, and 15 per cent reserved for short term opportunities.

Richard Royds, managing director at John Govett, suggests that high performance is also much harder for a trust with a larger total fund value: rather like with company share performance, the smaller the fund, the greater the chance of variation in result.

He stresses that each company is judged individually. "We look for companies with strong management, robust balance sheets, manageable borrowings, and with an identifiable role to play in the next upturn," he says.

While interest rates and inflation have temporarily beset small companies, "if we believe the history of their outperformance over the last 30 years, they will recover in the longer term," he says.

Smaller companies have much greater potential for rapid growth, he says, with relatively small absolute levels of investment giving potentially very high returns, by developing niches and through possible acquisition activity. They are also often owner-managed, "and have an ethos of hard work. The guy with the most money invested is the one at the tiller."

But he warns that investors should not put all their money into this area, particularly if they need short-term growth. He estimates that most of his clients hold perhaps 10-25 per cent of their portfolio in smaller companies. "I would not go beyond 10 per cent," advises David Wood, a director at S & W.

Royds also stresses the advantage of "pound cost averaging" — saving a regular monthly amount rather than investing a lump sum all at once — in order to reduce the impact of share price fluctuations.

All told, however, if you had invested your money in a UK building society in October 1985, the return would now be around 63 per cent, a better performance than the average small company unit trust. Equity investment does indeed demand a long term view.

Andrew Jack

Best small company unit trusts over 5 years

	% increase
Govett UK	122.5
Buckmaster	105.4
S & W	100.6
Manulife UK	85.1
M & G	72.6

Offer to bid, with inc reinvested
Source: Micropal

COMPANY PROFILE

Grand Metropolitan hopes to reap its reward

GRAND METROPOLITAN may next month begin to get the full recognition and rating which it believes are overdue to one of the world's leading drinks, food and retailing groups.

When it swaps its breweries for Courage's pubs — in the deal given qualified approval by the government earlier this week — GrandMet's restructured business should be brought into sharper focus.

It is a vastly changed operation from that of a decade ago. But the transformation has often been obscured by the frantic asset juggling that wrought it — some £6bn of acquisitions and £3bn of disposals, at a rough count, during the 1980s.

GrandMet itself describes its management style as *restless;* and the City has sometimes responded restively to the driving pace of its dealings, especially over the past few years. Not even the fact that *the* juggler still managed to throw up higher annual profits allayed the doubts about his dexterity.

Sir Allen Sheppard, in quieter mood this year, explained the hyperactivity *that has marked* his period as chairman and chief executive.

Four years ago, the board — which includes a trio of non-executive luminaries in Sir John Harvey-Jones, the former ICI chairman, Sir Colin Marshall of British Airways, and Richard Giordano of BOC — set its objectives.

The prime target was to establish a portfolio of businesses that would provide satisfactory profit growth through the 1990s. "We *had* to move quickly," Sir Allen said. "At that time GrandMet had a business portfolio much of which was more relevant to history than to future earnings capability.

"It was essential that we determined how and where GrandMet could add value and then moved decisively. Several of our international competitors were ahead of us and moving forward *fast."*

The chosen strategy was put GrandMet among the leaders in international branded drinks, food and retailing. So out went such operations as Inter-Continental hotels, sold for £1.2bn; and William Hill bookmakers, sold for £750m only months after acquisition. In came Heublein, the US drinks distributor, for £800m; and last year Pillsbury, the US foods group, for £3.3bn.

Disposal of its four breweries — Watney Truman, Webster's, Ruddles and Ushers which contribute only some 5 per cent of group profits — will mark the last of the major structural changes, and reduce GrandMet's £3bn debt.

GrandMet's business now occupies a well-balanced position in the world's most important consumer markets where many of its brands, supported by £700m of expertly directed marketing funds a year, are household names.

International Distillers and Vintners, the group's wines and spirits division, owns 11 of the world's top 100 spirits brands and, with sales last year of £2.8bn and trading profits of £389m, has a near 10 per cent share of the international market.

Smirnoff vodka, bought by Heublein 50 years ago for $14,000, now repays that investment every 36 minutes with sales of 14.8m cases. The company has the world's second best-selling Scotch, J & B, leading liqueurs such as Bailey's and Malibu, Gilbey's gin, Croft's port, and Le Piat D'Or wine.

The group also has a 20 per cent stake in Rémy Cointreau, the French drinks group, and a 25 per cent holding in Cinzano International, the Italian vermouth company.

The acquisition of Pillsbury last year made GrandMet the eighth largest food company in the world, with sales approaching £3bn. Pillsbury's activities have been rapidly streamlined and cost savings reinvested in a marketing drive to expand such international brands as Green Giant vegetables.

GrandMet's UK food operations include Express *dairy products* and Eden Vale, Ski and Munch Bunch yogurts. It is one of the leading baked goods producers in Europe through companies such as Brossard in France.

With the Pillsbury deal, GrandMet also acquired the Burger King fast food chain and Häagen-Dazs 'luxury ice-cream, consolidating its position as the world's second largest retailer with 30,000 outlets, and a turnover last year of £2bn.

Pearle, a chain of eyecare stores, is one of the fastest growing retailers in the US, and is now being expanded in other international markets.

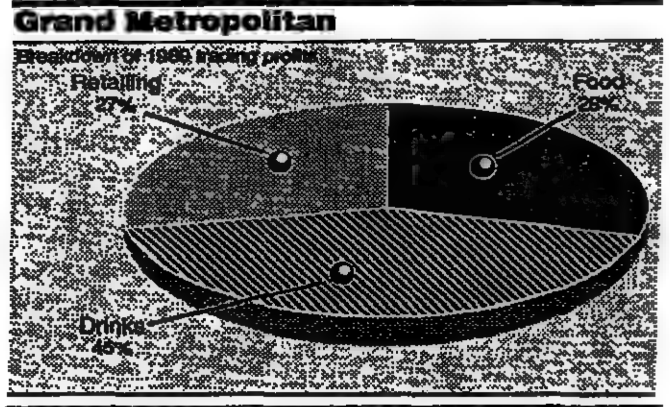
In the UK, its present 4,780-pub estate includes Berni Inns and Chef & Brewer. Among its high street outlets are Pastificio, Pizzaland and Perfect Pizza, and the Peter Dominic chain of off-licences.

"The aim now," Sir Allen *informed a relieved City* recently, "is to upgrade and build on these activities organically and by add-on acquisitions . . . Our prime task is to meet the expectations of our customers."

Philip Rawstorne

Grand Metropolitan

Breakdown of 1989 trading profits



PRE-TAX PROFITS AND EARNINGS PER SHARE

	1985	1986	1987	1988	1989
Profits (£m)	311	368	466	575	732
Eps (p)	28.3	31.4	38.1	46.9	55.6

Figures are for the year to end September.

PRINCIPAL GROUP COMPANIES

Drinks:
International Distillers and Vintners
GrandMet Brewing
Justerini & Brooks
Heublein
The Paddington Corporation
Carillon Importers

Food
The Pillsbury Company
Express Foods
Express Dairy
Eden Vale
Alpo Petfoods

Retailing
Burger King
Häagen-Dazs
Pearle
Dominic Group

FT electricity competition

Now you can plug into a crate of bubbly

EVEN if the electricity flotation fails, sharp-witted readers of the *FT* can win a merry Christmas bonus after the first day's trading in the shares in December. The *FT* is offering cases of Laurent Perrier pink champagne for the two most accurate predictions of how the flotation will fare.

The two questions we want you to answer are:

1. At the end of the first day of dealings, which of the 12 electricity companies will be standing at the largest premium (or smallest discount) to its offer price?

2. How many investors will apply for shares in the electricity companies?

To help you judge the prospects of the electricity companies, the following are thumbnail sketches of the 12 groups based on a report by stockbrokers Phillips & Drew:

Eastern: The company serves a well diversified and strongly growing local economy. Sales growth is expected to be among the highest of the distribution companies. Cost pressures in the local economy could lead to high cost inflation. P & D sees the company as low risk investment compared to the average of the distribution companies.

East Midlands: The company serves an economy with a bias towards manufacturing and coal mining. Sales growth is expected to be slightly above the average of the distribution companies. Capital expenditure growth is expected to be lower than that of any of the other distribution company. P & D sees the company as a low risk investment compared to the average.

London: The company serves a highly urbanised area with an economy dominated by the service sector. Sales growth is expected to be among the highest of the distribution companies. However, relocation of commercial premises outside the area could depress returns. P & D sees the company as a low risk investment compared to the average.

Manweb: The company serves an economy dominated by the chemicals, paper and metals industries. Sales growth is expected to be among the lowest of the distribution companies. Loss of customers to the generating companies could have a significant effect on the company's profitability. P & D sees the company as a high risk investment compared to the average.

Midlands: The company serves an economy with a bias towards manufacturing. Sales growth is expected to be slightly below the average. Urban-rural population migration could depress returns. P & D sees the company as a medium risk investment compared to the average.

Northern: The company serves an economy with a bias towards energy and manufacturing sectors. Sales growth is expected to be among the lowest of the distribution companies. Loss of supply business to the generating companies could have a knock on effect on the company's distribution business. P & D sees the company as a high risk investment compared to the average.

Norweb: The company serves a diverse economy but with a bias towards heavy manufacturing. Sales growth is expected to be among the lowest of the distribution companies. Contraction of the defence and chemicals industries and migration of population may restrict sales growth. P & D sees the company as a medium risk investment compared to the average.

Seeboard: The company serves an economy with a strong bias towards the service sector. Sales growth is expected to be in line with the average of the distribution companies. Cost pressures in the local economy could lead to high cost inflation. P & D sees the company as a medium risk investment compared to the average.

Southern Electric: The company serves a well-diversified economy which has outperformed the national average since the mid '80s. Sales growth is expected to be among the highest of the distribution companies. Cost pressures in the local economy could lead to high cost inflation. P & D sees the company as a relatively low risk investment.

South Wales: The company serves an economy with a bias to the coal, steel, oils and chemicals industries. Sales growth is expected to be slightly below the average. Loss of supply business to generating companies could have a knock on effect on the distribution system. P & D sees the company as a high risk investment compared to the average.

South Western: The company serves a diverse economy which has shown growth very close to the national average. Sales growth is expected to be slightly higher than average. The area is susceptible to extremes of weather which can have a significant effect on the distribution system. P & D sees the company as a medium risk investment compared to the average.

Yorkshire: The company serves an economy with a bias towards coal, metals, textiles, food processing and chemicals. Sales growth is expected to among the lowest of the distribution companies. P & D sees the company as a relatively high risk investment compared to the average.

Contestants should remember that the government plans to take the differences between the companies into account when pricing the issues. Thus, the high risk companies may be priced more attractively, and the low risk companies may more expensive.

The winner will be the contestant who answers Question One correctly and has the closest estimate to the answer to Question Two. As a guide: the second question, there were 2.7m applicants for water shares and 4.5m for British Gas shares but only 650,000 for British Steel.

Please send your answers on a postcard to:

Mrs P Pandya,
Electricity Competition,
The Financial Times,
1 Southwark Bridge,
London SE1 9HL.

Entries must be received by the first post on November 21, the day when investors are expected to be able to start applying for shares in the electricity companies. The result will be announced in December, once dealings have begun.

Should the issue fail to go ahead, the competition will be null and void. No correspondence will be entered into and the Editor's decision will be final.

Black Monday still casts a long shadow

Equities are still the best long-term home for savings, argues Philip Coggan

THREE years ago yesterday the financial markets were in turmoil. On October 19 1987, ever since known as Black Monday, the Dow Jones Index fell by 508 points and the FT-SE 100 fell by 250 points.

Many small investors had been sucked into the market during the first nine months of the year, as they saw the FT-SE 100 rise from a low of 1680 in early January to a peak of 2443 in July. For some, the lure of easy profits proved irresistible. Sadly those who invested at the peak of the market may still be registering a loss.

The Crash must have convinced many investors that shares are just too risky. Certainly, the unit trust industry has been fighting an uphill battle ever since 1987 in an attempt to persuade investors that shares are a good investment.

The evidence suggests that equities have proved the best home for people's *long-term* savings. In any given ten year period, shares have outperformed *all other classes of financial* asset such as cash and gilts; £1,000 invested in the average unit trust in 1980 would have grown, with income reinvested, into £3,690 by 1990. The average general UK equity unit trust would have turned £1,000 into £4,360 over the same period.

But of course, as the adverts repeatedly tell us, past performance is no guide to future prospects. Will equities be the best home for individual savings in the '90s? And can the Crash happen again?

It is distinctly possible that the mid '80s will seem in retrospect like a golden age for investment. Profits and dividends were surging ahead, dragging share prices along behind them. The FT-All Share Index has risen in every calendar year since 1976, although this year looks like breaking the sequence.

For much of the '80s, company dividends were rising as a proportion of GDP. British industry was recovering from its troubles of the '70s; productivity was rising steadily; enterprise was no longer a dirty word.

The prospects for UK equities in the '90s depend on whether that improvement in corporate sector profitability was a one-off or whether British industry slips back into its bad old *ways. Has the enterprise culture* really taken root, or was it always a sham, based on wheeling and dealing rather than the creation of products that the world wants to buy?

It is certainly possible to point to weaknesses in the economy — the large trade deficit, the shortage of skilled labour — to support a gloomy view. For all the talk of a Thatcher revolution GDP growth was actually slower in the '80s than it was in the '70s. The weakness of manufacturing was demonstrated by the fact that the capital goods sector consistently underperformed the FT All-Share Index after 1982.

Entry into the Exchange Rate *Mechanism may cause a long and* costly period of adjustment as British industry seeks to compete with Europe without the benefit of continuous sterling devaluation. That may restrict profits growth. And the capacity of British industry to pay out dividends has also taken a turn for the worse since the start of 1988. At that time, the corporate sector moved into financial deficit — in other words, it started spending more than it was earning — and it has remained that way. The *deficit*, over 8 per cent of GDP, is now at its highest ever level.

It is not written in stone that dividends must keep pace with inflation. In the decade from 1969 to 1979 annual dividend increases averaged 3.2 per cent below the rise in the retail price index. The *total* return on shares over the same period was 1 per cent per year below the rate of inflation.

So if the '90s are more like the '70s *than the '80s — and the Gulf crisis is* eerily reminiscent of 1973-74 — then shares may not be so attractive. The trouble is that other types of financial asset also performed badly in the '70s. The real return on short term deposits was *minus* 2.5 per cent per year between 1969 and 1979; on long term fixed interest bonds, the real return between 1967 and 1977 was *minus* 6.4 per cent per year.

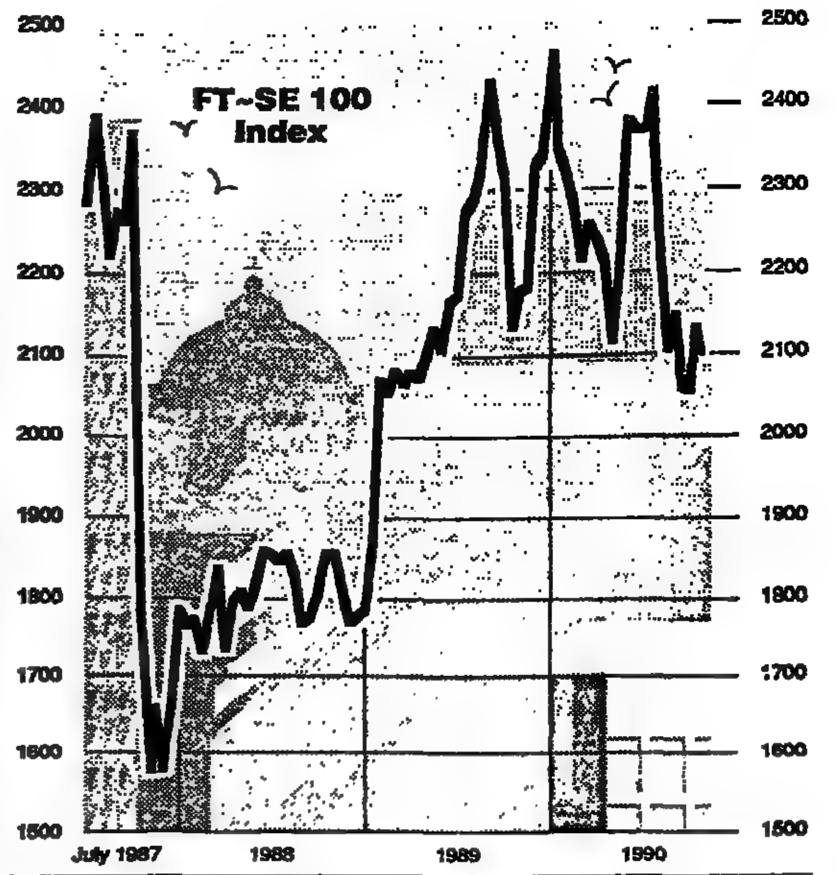
Shares may thus have been an imperfect inflation hedge during the '70s period but they were better than most. And shares may still be the best bet even if the British economy is due for a long period of slow growth.

Although gilts can perform well in the initial stages of recession (as governments lower interest rates to ease the strain on the economy), a long period of slow growth will not necessarily be good news for government securities.

The health of the government's finances depend on the state of the economy. The slower it grows, the greater will be the budget deficit and the greater the number of gilts that will have to be issued. Gilt prices tend to fall if supply increases sharply. So even though the outlook for shares in the '90s may not be as good as it was in the '80s, private investors should still choose them as their main vehicle for long term savings. But could there be another Crash to ruin all the calculations?

Since the Crash two lines of argument have emerged. The first is that it was the phenomenal increase in share prices in the first nine months of 1987 that was anomalous, rather than the Crash itself. Optimism about the prospects for the economy was such that share prices had become ridiculously overvalued. The Crash occurred when investors, like the little boy who realises that the Emperor has no clothes, came to their senses.

The second argument is put forward by the determined defenders of *efficient market theory, which states* that all the information that is known about a security is reflected in its current price. The corollary is that little can be gained by attempting to



predict the movement of share prices on the basis of currently available information. What will affect share prices is future information, which by definition cannot be known.

Many people seized upon the Crash as proof that the efficient market theory was false. How could the market be rationally valued with *FT-SE* at 2200 on one day and at 1700 only two days later? No big economic news had occurred in the meantime.

However, efficient market theorists argued that a sharp change in prices can be quite rational. Say, investors were to decide *on the balance of probabilities* that an extra 1 percentage point of yield was needed to compensate them for the risk of holding *shares. If the market was trading on a* yield of 3 per cent, that would entail a 25 per cent fall in prices to take shares on to a 4 per cent yield. And there were enough problems in the autumn of 1987 — increases in interest rates, the problem of the US budget deficit — to make it reasonable for investors to demand a higher return for holding equities.

So what does that imply about the chances of another Crash? Both explanations suggest that a Crash is mostly likely when the market shifts from an optimistic to a pessimistic mood. But at the moment, investors are profoundly pessimistic and have been for some time. The UK market has effectively gone sideways for three years.

Shares are trading on yields above, and price-earnings ratios below, the long-term averages. Obviously, if war breaks out in the Gulf, shares will experience some hairy moments. But *things are so gloomy that the most* likely shift in mood is from pessimism to optimism. A Crash may well occur again — but we will need to have a few good years first.

Further interest rate cuts

Cheltenham & Gloucester Building Society is cutting its mortgage rate to 14.25 per cent from December 1. C&G is offering new borrowers mortgages at 13.5 per cent, although the 0.75 percentage point discount is only valid for the first year.

Skipton Building Society is lowering its mortgage rate from 15.4 per cent to 14.5 per cent from November 1. However, it is offering special rates to new borrowers of 13.9 per cent, or 13.15 per cent on loans above £50,000. First-time buyers are being offered a rate of 12.9 per cent for the first year.

The Portman Building Society is reducing its mortgage rate from 15.4 per cent to 14.5 per cent on November 1. It is also offering a one percentage point cut for the first 12 months on loans of as little as £30,000. The discount is for loans up to £250,000 or 80 per cent of the property value.

■ **Aetna is offering a five year guaranteed income bond with a 10.3 per cent rate, subject to a minimum of £5,000, maximum £10,000. It is also offering a nine year bond offering 9.6 per cent (£5,000 to £14,999), 9.75 per cent (£15,000 to £49,999) and 9.9 per cent (£50,000 to £125,000).**

■ **General Portfolio has announced new rates on its guaranteed income bonds. For a minimum investment of £1,000 the guaranteed rates are 10.1 per cent (one year), 9.9 per cent (two years), 9.65 per cent (three years) and 9.45 per cent (four years).**

Philip Coggan

INTEREST RATES: WHAT YOU SHOULD GET FOR YOUR MONEY

	Quoted rate %	Compounded return for taxpayers at 25%	40%	Frequency of payment	Tax (see notes)	Amount invested £	Withdrawal (days)
CLEARING BANK*							
High interest cheque	4.00	4.10	3.30	monthly	1	under 5,000	0-7
High interest cheque	8.10	8.40	6.70	monthly	1	5,000-9,999	0
High interest cheque	8.60	8.60	6.90	monthly	1	10,000-24,999	0
High interest cheque	8.80	8.80	7.00	monthly	1	25,000-49,999	0
High interest cheque	9.10	9.50	7.60	monthly	1	50,000	0
BUILDING SOCIETY†							
Ordinary share	7.00	7.12	5.70	half-yearly	1	1-250,000	0
High interest access	9.00	9.00	7.20	yearly	1	500	0
High interest access	9.75	9.75	7.80	yearly	1	2,000	0
High interest access	10.25	10.25	8.20	yearly	1	5,000	0
High interest access	10.50	10.50	8.40	yearly	1	10,000	0
90-day	10.25	10.51	8.41	half yearly	1	500-9,999	90
90-day	11.00	11.30	9.05	half yearly	1	10,000-24,999	90
90-day	11.50	11.83	9.46	half yearly	1	25,000	90
NATIONAL SAVINGS§							
Investment account	12.75	9.56	7.65	yearly	2	5-25,000	1 mth
Income bonds	13.50	10.12	8.10	monthly	2	2,000-25,000	3 mths
Capital bonds	13.00	9.75	7.80	yearly	2	100 min.	3 mths
35th issue§	9.50	9.50	9.50	not applica	3	25-1,000	8
Yearly plan	9.50	9.50	9.50	not applica	3	20-200/month	14
General extension	5.01	5.01	5.01	not applica	3	–	8
MONEY MARKET ACCOUNT							
Schroder Wagg	10.14	10.62	8.50	monthly	1	2,500	0
Provincial Bank	10.24	10.73	8.59	monthly	1	1,000	0
UK GOVERNMENT STOCKS							
8pc Treasury 1991	12.00	9.83	8.78	half yearly	4	–	0
8pc Treasury 1992	11.92	9.84	8.60	half yearly	4	–	0
10.25pc Exchequer 1995	11.50	8.87	7.29	half yearly	4	–	0
8.5pc Treasury 1994	11.73	9.48	8.14	half yearly	4	–	0
3pc Treasury 1992	9.84	9.04	8.56	half yearly	4	–	0
Index-linked 2pc1992§§	12.85	9.82	9.51	half yearly	2/4	–	0

*Lloyds Bank. †Halifax 90-day; immediate access for balances over £5,000.‡ Special facility for extra £10,000 §Source: Phillips and Drew. §§Assumes 6.0 per cent inflation rate. 1 Paid after deduction of composite rate tax. 2 Paid gross. 3 Tax free. 4 Dividends paid after deduction of basic rate tax.

Christopher Price reports on a depressing new twist in the property bear market

Heartbreak in a half-share home

FLATMATES Linda Allman* and Veronica Clarke, both aged 29 and normally the best of friends, find it difficult to talk to each other these days. Allman is on the verge of taking legal action against her friend to force the sale of the flat they bought together three years ago in south east London.

"I never thought it would come to this," says Allman, a legal secretary. "We used to be such good friends." She says the cost of litigation could all but wipe out any profits the two have made from their two-bedroom flat.

The two women were among the thousands of young professionals who teamed up to buy their first homes in London and the south east on the back of the housing price boom of the late 1980s. Such was the stampede to buy that some London estate agents ran cheese and wine parties for single potential purchasers to meet. Would-be buyers sported a badge on their lapel declaring their name, mortgage size and preferred buying area.

Now, two to three years later, the party mood has soured. While differing aspirations and changes in circumstance are providing the urge to move for a large number of borrowers, for many the depressed housing market, high interest rates and the stubborn high property prices in the south east, mean that moving is not feasible. It is a dilemma facing a growing number of joint borrowers.

"On my salary there is no way I could buy Linda out and no way that I could buy anywhere on my own. I would just have to go back to renting," says Clarke, who earns £15,000 a year as an administrator for an export marketing group. "I think we should stay for another couple of years at least so as to make a good profit."

With repossessions running at a record high, building society managers say that an unusually high proportion of these are young professional people and that one of the main reasons is the breakdown of relationships. A survey by the Skipton Building Society showed that 44 per cent of their repossessions were young professionals, even though they made up only a quarter of the society's total lenders.

"People are living in houses they cannot afford in situations they cannot stand," says Paul Seaman of the Building Societies Association. "We had a situation in 1988 when people were rushing into buying in relationships and friendships which were not particularly strong."

Dennis Peters, a 28-year-old social worker in Ealing, west London, bought a £65,000 flat in Hounslow with two female friends to beat the August deadline set by the government for dual mortgage tax relief. "Everyone was advising 'buy, buy, buy'", he says. Now he wants to marry and leave London. His co-borrowers however feel in no position to buy him out or sell and move. One of them, Diana Brown, says: "We feel bad about this, but what can we do? Our flat is worth about £60,000 now, so we are facing a loss situation if we try and move."

All admit their friendship – they met as undergraduates five years ago – is under severe strain.

For Sharon Robinson the strain of a disintegrating relationship is becoming too much. "I have had to see my doctor because of the worry," she says. She bought a maisonette with her then boyfriend, Stuart, in July 1988, in Islington, north London.

"We had only known each other a few months but everything seemed fine and everyone was encouraging us to buy a place," she says. The relationship however was not enduring and they split up earlier this year, although they must continue to live together. "I want to move irrespective of the cost, but the flat is probably worth not much more than when we moved in," says Robinson, "so Stuart says he cannot afford to move. It's a terribly depressing situation living with your ex-boyfriend, but what can one do?"

Many of those wanting to move but cannot are bitter at the advice, or rather lack of it, when they took on their mortgages. Dennis Peters argues: "While the legalities of moving in are all taken care of beforehand, so should the legalities of leaving the agreement."

Such agreements are not something automatically discussed with borrowers by either lenders or solicitors.

The Halifax Building Society says it does not ordinarily advise its borrowers on the legal aspects of leaving a joint mortgage while the Law Society says its members must respect client privacy.

Frank Bartlett, assistant general manager (lending) at the Woolwich, asserts: "The way the market behaved in 1988 was unique and people went into joint-mortgages who would not have normally. I think in 1988 people were taking an overly optimistic view of their friendships. Breakdowns in relationships and friendships have exacerbated an already troublesome situation."

What can you do if you are stuck with a housemate you can no longer stand? Jennifer Israel, a London solicitor specialising in conveyancing, says: "We have had a lot of people with joint mortgages coming to us to try to get out of the situation. But because a lot of young borrowers are so highly geared they just can't afford to sell. This is causing many problems. Sometimes they can get another friend to buy in - that's quite popular. But then of course you run the risk of the new person not getting on with the other one. But I have had couples just turning up to hand the keys in."

Bartlett says: "My advice is where at all possible to stick it out and at the first sign of difficulties get in touch with your local society branch. Handing in the keys is a short-term view in our opinion and would make the society reluctant to lend again."

Until recently, building societies have tended to take a lenient view of couples handing their keys in – mainly because the cost of selling the repossessed property has covered the outstanding debt. Recently, however, there is evidence that their costs are not being covered and errant borrowers are being pursued for the balance. Finance houses are reckoned to be even keener to follow up on mortgage debts and are not covered by the Building Societies Act and so need not get the best possible price for a repossessed property – as building societies must do.

The housemate who wants to sell is technically in a strong position. Legally anyone with a joint interest in a property is allowed to sell the property and split the proceeds. This sobering information is usually enough to convince borrowers to reach an agreement over selling, according to Israel.

Half, third or quarter shares in houses for sale are appearing in the small ads of London magazines. As yet, estate agents are steering well clear. Too messy, was the verdict of London agent. "Mind you, if there was enough of a market for it, enough people were interested and the house market picked up, who knows."

Israel says: "The interest rate increase and the drop in property prices has been the straw to break the camel's back for a lot of relationships I'm afraid. I have no doubt that if it weren't for the housing market depression then we wouldnt have any of these problems."

Linda Allman believes these difficulties are exacerbated by the absence of a legal agreement to leave the property. "I would never share a mortgage with anyone again," she says.

**The names of people mentioned in this article have been changed.*

Warning! Get those tax forms filed

CALLING ALL taxpayers! A deadline of great importance looms: if you have not filed your tax return for the 1989-90 tax year by October 31 – a week on Wednesday – all *sorts of horrible and expensive* things could happen to you.

Until the summer of last year, tax law was on the side of the idle taxpayer: all the relevant section of the Taxes Management Act of 1970 said was that you could become liable to penal interest if there was a "substantial" delay between receiving your tax return and sending it back.

Quite what "substantial" meant was left helpfully vague. As a result there was no great incentive to fill in the return and tax advisers felt no great need to hurry you along. The Inland Revenue itself was traditionally too busy to care.

All changed in the summer of last year, when the Revenue issued a Statement of Practice saying that "substantial" meant "by October 31". The logic for this was that any tax return arriving after that date could not be processed in time to request settlement of the tax liability by December 1.

Thus, even if the tax return arrives on the desk of your friendly tax inspector on Thursday instead of Wednesday next week, the Revenue is within its rights to put the return to one side for many months, and later charge you interest throughout the period of the delay.

This would be frustrating as the time taken to process the return and come up with an assessment would be entirely out of proportion to your tardiness in sending the document.

It could also be expensive, because the interest rate charged is penal rather than nominal: currently it stands at 13 per cent. To add insult to injury, the interest charge is not deductible against tax.

Being one day, one month or six months late in submitting your return will not automatically mean that you will end up paying extra interest. Ultimately, the decision as to whether the interest is applied is up to the individual tax inspector.

Nevertheless, tax advisers strongly advise that you should, if at all possible, submit a return by October 31. Your tax inspector may in the past have been generous when dealing with your affairs, but it would not do to rely on this at a time when the Revenue at large is getting tougher.

"People with tax to pay should definitely not just let the remaining days slip away", warned Roger White, head of tax at KPMG Peat Marwick McLintock.

If your affairs are complicated, or you are off on holiday and there is no prospect of getting the return in on time, you should at least write to your tax inspector, White advises, spelling out in broad terms the capital gains and income on which you think you will have to pay tax.

This approach provides no guarantee that you will not end up paying the 13 per cent interest, but the letter may provide the inspector with enough information on which to raise a preliminary assessment of your tax liability.

David Waller

COMPANY NEWS SUMMARY

TAKE-OVER BIDS AND MERGERS

Company bid for	Value of bid per share**	Market price**	Price before bid	Value of bid £ms**	Bidder
	Prices in pence unless otherwise indicated				
AMS Inds.	29*	27	20	8.85	Siemens Austria
Blackwood Hodge	31½	30½	21†	52.18	BM Group
Caird Grp.	100*§	59	75	56.45	Severn Trent
Caird Cv.Pf.2008	60.3*§	45	59	21.44	Severn Trent
Carroll (P.J.)	Ir160*§	Ir152	Ir125	Ir72.84♠	Rothmans Intl.
Chestergate‡	6½*	7	7	1.07	Parr
Connell	194*	193	135	48.3	Scottish Widows
Dukeminster	75*	73	62	65.66	Assetpeak
Foseco	275*	278	186	236.8	Burmah Castrol
Hughes (H.T.)	127§	125	81	31.62	Leigh Interests
Lowe Grp.	437	422	265	113.47	Interpublic
Mount Charlotte	73*§	67	59½	392.66¥	Brierley Invs.
Priest, Marians	35§	33	30	4.94	Grovewood Secs.
R & V Information	18*§	18	16	0.59☆	Box

*All cash offer.††Cash alternative. §For capital not already held.‡Unconditional.**Based on 2.30pm prices 19/10/90. †At suspension. §§Shares and Cash. ¥ Value of 61.1% not already owned. ♠ Value of 61.3% not already owned. ☆ Value of 3,122,850 shares not already owned.

RESULTS DUE

Company	Announcement due	Dividend (p)* Last year Int.	Last year Final	This year Int.
FINAL DIVIDENDS				
Allied London Properties	Monday	1.075	2.225	1.075
Benson Group	Thursday	-	0.7	-
British Assets Trust	Wednesday	1.675	3.3	1.675
Clydesdale Investment Tst	Monday	0.5	2.6	1.0
Govett Strategic Trust	Thursday	1.5	4.0	2.5
Investors Capital Trust	Wednesday	4.1	4.4	1.175
Lucas Industries	Monday	7.0	18.0	8.4
Majedie Investments	Thursday	2.0	6.5	2.5
McKechnie	Tuesday	5.0	9.75	5.0
Mowat Group	Monday	0.5	1.0	0.5
New Central Witwatersrand	Tuesday§	47.0	92.0	47.0
New Frontiers Development Tst	Friday	-	0.9	-
Overseas Investment Trust	Wednesday	0.7	1.45	0.75
Pegasus Group	Thursday	3.375	7.825	3.5
Pressac Holdings	Tuesday	0.5	1.5	0.75
Ramar Textiles	Thursday	-	1.75	-
Scottish Metropolitan Prop.	Monday	2.25	3.75	2.53
Shandwick	Tuesday	0.6675	1.8825	0.89
Smiths Industries	Wednesday	3.25	5.55	3.50
UDO Holdings	Thursday	0.9	2.5	1.35
Wolseley	Tuesday	2.8	8.2	3.1
INTERIM DIVIDENDS				
Aberfoyle Holdings	Friday	-	-	-
Airflow Streamlines	Thursday	2.0	4.0	-
Bimec Industries	Wednesday	0.33	0.67	-
Boxmore International	Tuesday	1.7	3.85	-
Brown N Group	Thursday	1.575	3.075	-
Clayton Son & Co Holdings	Friday	2.2	3.3	-
Conrad Continental	Friday	1.0	-	-
CPU Computers	Friday	-	-	-
Darby Group	Monday	1.2	2.1	-
Delyn Packaging	Friday	0.45	1.0	-
Denistron International	Tuesday	0.7	1.05	-
Elliot B	Thursday	1.25	2.1	-
Ferguson International Hldgs	Thursday	4.25	8.20	-
First Charlotte Assets Tst.	Wednesday	-	0.2	-
Fleming Universal Invest. Tst	Thursday	0.6	2.2	-
FR Group	Tuesday	2.23	4.14	-
Hammerson Property Inv & Dev	Monday	3.5	16.0	-
Imperial Chemical Industries	Thursday#	21.0	34.0†	21.0
Le Creuset	Tuesday	-	-	-
New Throgmorton Trust (1983)	Friday	2.8	6.0	-
Philips' Lamps Holding	Thursday#	-	-	-
Plasticeal	Tuesday	-	3.0	-
Rit Capital Partners	Friday	-	2.84	-
Securities Trust of Scotland	Thursday	0.90	1.98	-
SKF Group	Wednesday#	-	14.08	-
Sunleigh	Wednesday	0.75	1.25	-
TDS Circuits	Monday	-	-	-
Toshiba Corporation	Thursday‡	4.0	4.0	-
Usborne	Friday	0.5	1.0	-
Value and Income Trust	Tuesday	1.0	1.2	-

*Dividends are shown net pence per share and are adjusted for any intervening scrip issue.§ Dividends quoted in South African cents per share.† 2nd interim dividend.# 3rd quarter figures.‡ Figures quoted in Japanese yen.§ Figure quoted in Swedish krona per share gross.

PRELIMINARY RESULTS

Company	Year to	Pre-tax profit (£000)		Earnings* per share (p)		Dividends* per share (p)	
Air London Int'l	July	625	(351)	6.2	(6.65)	2.5	(-)
Astra Holdings	Mar	24,231L	(9,512)	-	(14.7)	-	(4.35)
Attwoods	July	28,600	(20,018)	25.1	(20.9)	9.5	(8.0)
Castle Comms.	June	1,900	(1,790)	20.7	(27.9)	6.5	(6.5)
Cooper Frederick	July	4,610	(8,720)	8.4	(16.1)	4.0	(3.85)
Cradley Group	June	1,650	(1,870)	3.8	(3.7)	1.0	(1.0)
Fisher (Albert)	Aug	74,420	(44,970)	9.61	(6.14)	3.65	(2.75)
Highland Dist.	Aug	34,700	(19,500)	13.2	(8.93)	4.8	(3.95)
Norex	June	3,160	(2,370)	18.1	(14.1)	1.0	(-)
Paterson Zoch.	May	25,030	(23,390)	30.5	(30.1)	9.45	(8.6)
Pict Petroleum	June	2,290	(899 L)	8.22	(-)	-	(-)
Prestwick Group	July	1,200	(2,100)	3.1	(6.0)	1.5	(1.5)
Raglan Property	Mar	13,400L	(1,510)	-	(0.67)	-	(0.15)
Raimus Holdings	June	583 L	(1,260)	-	(19.5)	1.5	(7.5)
St Ives	July	28,100	(28,700)	19.8	(19.9)	6.0	(4.25)
Synapse Computer	July	332 L	(1,100)	-	(20.2)	3.375	(3.7)
Tay Homes	June	8,500	(8,330)	28.0	(25.2)	4.8	(4.0)
Thorntons	June	11,310	(9,890)	12.5	(10.2)	3.3	(2.5)
Tip Europe	July	16,510	(12,700)	14.8	(14.1)	6.5	(5.0)
West Industries	Mar	1,060 L	(502)	-	(1.74)	-	(1.0)

INTERIM STATEMENTS

Company	Half-year to	Pre-tax profit (£000)		Interim dividends* per share (p)	
Acorn Computer	June	42	(2,080)	-	(-)
American Distrib.	June	2,260	(2,400)	-	(1.12)
Anglo Eastern Plant.	June	164	(443)	-	(1.0)
Atlas Converting	June	3,100	(2,190)	6.5	(5.6)
Baris Holdings	Aug	906	(605)	2.0	(-)
Borland Int'l.	Sept‡	16,130	(5,470)	-	(-)
Boot (Henry) & Sons	June	1,960	(1,550)	7.0	(6.0)
Bourne End Props.	June	65	(347)	1.0	(1.0)
Brewmaker	July	220	(344)	0.1	(0.1)
British Syphon Inds.	June	8,310§	(439)	-	(-)
Chesterfield Props.	June	7,840	(1,550)	7.0	(6.5)
City of Oxford Inv.	Sept●	709♦	(940♦)	1.05	(0.94)
Downsbrae Holdings	June	340	(278)	-	(-)
Edinburgh Invest Tst	Sept	12,750†	(12,900†)	2.75	(2.5)
Elswick	July	1,510	(647)	0.22	(0.2)
English National Inv	Sept♦	251©	(236©)	5.0	(4.75)
Era Group	June	965 L	(437 L)	-	(1.0)
Farnell Electronics	July	15,880	(12,980)	2.5	(2.1)
First Maryland	Sept‡	16,300#	(19,900#)	-	(-)
Forward Technology	June	1,130 L	(925)	-	(0.6)
French Connection	July	220 L	(2,480 L)	9.0	(9.0)
Gartmore American	Sept	757©	(760©)	0.9	(0.8)
Geers Gross	June	317	(161)	1.0	(-)
Gerrard & National	Oct	-	(-)	6.0	(3.0)
Helene	June	1,920	(1,630)	0.65	(0.61)
House of Lerose	June	409	(605)	3.0	(3.0)
Jarvis	June	708	(1,070)	0.82	(0.82)
Johnston Group	June	2,840	(3,060)	4.5	(4.0)
Lilley	June	6,520	(8,160)	1.0	(1.0)
London & Associated	June	442	(431)	0.05	(0.05)
Midland & Scottish	June	9,500	(2,100 L)	-	(-)
NatWest Bancorp	Sept††	36,300L	(113.5mL)	-	(-)
New Ireland Hldgs.	June¥	1,560	(1,280)	3.0	(3.0)
Next	July	2,300	(16,200)	0.7	(2.7)
Office & Electronic	June	10	(724 L)	0.1	(0.1)
Quadrant Group	Aug	2,500	(1,060)	1.55	(1.5)
Roskel	June	1,424	(1,418)	1.3	(1.3)
Sanderson Murray	June	79	(149 L)	-	(-)
Second Market Invest	June	244	(75)	-	(-)
Slingsby HC	June	272	(291)	2.0	(2.0)
Tudor	June	104	(264)	1.0	(1.0)
Turriff Corp.	June	1,650	(1,470)	4.25	(4.25)
Warnford Investments	June	3,300	(3,110)	2.5	(2.5)
Waterford Wedgwood	June¥	18,300L	(10,600L)	-	(-)
WB Industries	June	323 L	(317 L)	-	(-)

(Figures in parentheses are for the corresponding period.)
*Dividends are shown net pence per share, except where otherwise indicated. L = loss.¥ Figures quoted in Irish punts & pence.† After tax revenue.‡ Figures quoted in US dollars.# Earnings after tax for 3rd quarter.§ Figure for 10 months.© Net revenue.♦ Dividend payments on preferred shares.♦ Total revenue.● Dividend payments 2nd interim.†† Figures for 3 months quoted in US dollars.

RIGHTS ISSUES

Brewmaker is to raise £4.5m via a rights issue.
Cauldon Group is to raise £2.4m via a 1-for-4 rights issue at 11p.

Income unit trusts back in favour

THE INCOME unit trust sector is back in vogue. Investors who want a steady source of increasing income, coupled with capital growth over the long term, are putting their money into high income unit trusts. Indeed, several of the big fund managers have reported a steady flow of money into their UK income unit trusts in recent weeks despite the air of uncertainty that surrounds equity investment at the moment.

What is the attraction of an income unit trust? If you need regular income you can always put your money on deposit and live off the interest. However, you will not see any capital growth and, if you are a 40 per cent taxpayer, your net interest will be between 7 and 9.8 per cent. This is considerably below inflation, currently running at 10.9 per cent per annum, so in fact you get a negative return.

The interest rates on bank and building society accounts are likely to start coming down over the next few months, given that the base rate was cut from 15 per cent to 14 per cent earlier this month and is likely to fall further, so net returns from deposits will gradually decrease as well.

Yields in the stock market are at a high level. Many of the big name income unit trusts have a gross yield of 7 to 8 per cent at the moment. Ordinarily the income from the unit trust is paid net of basic rate tax at 25 per cent, while higher rate taxpayers have to declare the income and pay the additional 15 per cent. But if you invest in an income unit trust via a Personal Equity Plan (PEP) then you can receive any income and capital gains tax-free.

You can invest up to £6,000 per person per year in a PEP, though only £3,000 of that can be placed in unit trusts. However, it does enable investors to receive their income in a tax-efficient way while giving the capital a chance to grow.

UK equity income funds aim to provide regular growing income, with a yield of at least 10 per cent above the yield of the FTA All-Share index. At least 80 per cent of the money in the fund is invested in UK equities.

"Ideally, you should look at the growth of the income for the unit trust," says Alan Torevell, of Torevell, Mahon Granville. "A good income trust should double its income in say five years, whereas if a trust is overweight in fixed interest or convertibles you may get a high income but you could find there is not much capital growth."

You should also look closely at the kind of portfolio which the unit trust manager has built up. Some of the income unit trusts invest heavily in smaller companies. This sector has gone through a very bad period, largely because of high interest rates. Bear in mind too that in a recession, smaller companies are more vulnerable than the blue chips.

Smaller companies also tend to be less marketable, which can cause problems for the fund manager if investors sell their holdings and he suddenly has to sell part of his portfolio in order to meet the investors' demand for cash.

Those fund managers who have witnessed an inflow of money from investors have used the spare cash to buy high yielding shares.

"This is a good time to invest if you want to establish a high income portfolio" says David Rosier, of Mercury Asset Management.

Fund managers are looking mainly at high-yielding blue chips, with good balance sheets, diversified business interests and experienced management – in other words, companies which have a better chance of pulling through a recession.

As one manager put it: "We want companies where the dividend will continue to grow steadily, which have the potential to keep up the dividend, and which will benefit from UK entry in the ERM."

Uncertainty in the stock market poses a problem for managers. John Knight, who manages the James Capel income fund, is wary. "I think there's a lot of risk out there with any high yield stocks, and we are cautious about the financial environment." He has chosen food stocks and brewers with high yields, and some financial stocks, but is wary of the engineering and construction sectors.

"It's nice to have the new money available to invest but the opportunities are relatively few and far between."

Sara Webb

Week Ahead

LUCAS INDUSTRIES, the automotive, aerospace and industrial group, will report full year figures for the year to end July on Monday. Forecasts centre around £195m pre-tax against £187.1m, suggesting almost unchanged second half profits after an 11 per cent rise to £80.1m at the midway point. Lucas is particularly sensitive to exchange rates with high exports, overseas operations and the aerospace industry's *habit of pricing in dollars.*

Shares in Smith Industries have declined steeply this year as the market has worried about the impact of cuts in defence spending on the UK-based aerospace, medical systems and industrial group. Analysts expect annual profits of about £115m when the group reports on Wednesday, only marginally ahead of last year's £111.7m.

The stock market shook when Imperial Chemical Industries announced worse than expected interim results in July. Figures for the third quarter, due on Thursday will paint no more cheerful a picture and analysts' expectations are in the range £170m to £180m pre-tax against £396m last time. The higher figure would give a nine-month total of £913m, against £1.23bn last time.

Wolseley, the world's largest plumbing and heating merchant, is finally feeling the effect of the slowdown in the UK housing market despite being one of the strongest and most tightly managed companies in the sector.

Pre-tax profits for the year to end-July, due out on October 20, are likely to show an 8.8 per cent fall to £115m giving earnings per share of 34.8p, down from 36.9p. Analysts expect the total dividend to increase by 1p to 12p.

DIRECTORS' SHARE TRANSACTIONS IN THEIR OWN COMPANIES (LISTED & USM)

Company	Shares	Value	No of directors
SALES			
Acsis Group	543,595	234	1*
Amec	300,000	596	1
Bespak	25,000	75	1
Booker	12,267	52	1*
Hanson (ADRs)	10,000	102	1 I
Hartons	150,000	48	1
Hewden-Stuart	32,000	22	1
Hoskyns Group	440,000	1,516	4
Legal & General	22,500	83	1*
LEP Group	7,500,000	12,283	1 I
McKay Securities	15,000	20	1
PFG Hodgson Kenyon	150,000	204	1
Rathbone Bros	83,000	140	4
Turkey Trust	907,323	1,760	1
Wickes	18,000	26	1
PURCHASES			
Automated Security	550,000	1,017	4
Beazer	100,000	98	1
Chemex Int'l	2,065,500	402	1
Croda Int'l	22,000	33	1
Dalepak	31,000	34	1
Devenish	12,000	14	1
Doctus	22,000	19	1
First Technology	55,000	61	2
Frogmore Estates	10,000	28	1
General Electric	18,300	35	1
NMC(Pref.)	400,000	212	1
Pittencrieff	35,500	34	3
Polymark (Pref'A')	25,000	29	1
Shoprite Group	59,000	71	1
Tiphook	305,000	1,046	2

Value expressed in £000s. Companies must notify the Stock Exchange within 5 working days of a share transaction by a director. This list contains all transactions, including the exercise of options (*) if 100% subsequently sold, with a value over £10,000. Deals marked I were conducted in dollars and have been converted into sterling at $1.95/£. Each Hanson ADR represents five ordinary shares. Information released by the Stock Exchange 8-12 October 1990.

Source: Directus Ltd, EDINBURGH

FOUR executive directors of Hoskyns, the computer services group, have sold a substantial proportion of their beneficial holdings at 345p. The deal followed the sale by GEC of 70 per cent of the company to Cap Gemini Sogetti.

The chairman of trailer rental group Tiphook sold 1.25m shares in July at 549p. The shares have underperformed substantially since. However three directors have recently added to their holdings, with the deputy chairman investing a further £1m at 343p. A similar situation has arisen in First Technology, the automotive, fire, security and safety systems group. Directors sold almost all their holdings in August last year at the 500p level but were picking up stock at 110p last week, following a company profit warning.

Considerable director buying has taken place in Automated Security, where the share price has fallen sharply for no apparent reason. NMC, the packaging group, has also seen substantial buying by investors with Crispin Barker buying both ordinary and preference shares in substantial dealings.

Asil Nadir has sold his personal holding in the Turkey Trust, an investment trust, to Impex Bank, in which he has a majority stake. Bill Berkley, of Lep Group, the security and distribution company, has sold the bulk of his holding in order to inject funds into the US group Finevest Foods.

They say hello – and I say goodbye

Clay Harris on how to freeze out a 'cold calling' salesman

THREE CALLS within ten minutes was the final straw. Had my name and telephone number gone up in lights in Piccadilly Circus for every passing life assurance salesman?

Unsolicited telephone pitches – "cold calls" – are enjoying a new vogue. If you haven't received one yet, you will. It may come at home, just as you are sitting down to dinner. Or perhaps telephones around the office will do a Mexican wave as a hopeful salesman rings you and each of your colleagues in succession.

For me, nothing is more aggravating and intrusive than an unsolicited telephone sales call. You can throw away most junk mail without opening the envelope. In a newspaper or magazine, turn the page and an advertisement is gone.

But at least you can choose whether to receive a broadcast or printed sales pitch. You can consider it in your own time and compare it against other offers. What is said is on the record for public and regulatory scrutiny.

When a stranger calls out of the blue, however, he (or she) is stealing your time and using a pressure technique. He will often ask you personal questions that are none of his business, and that you certainly should not answer, if only for security reasons. That effrontery alone means I will never buy *anything* from a company which makes cold calls.

Two cold-calling outfits which have become very familiar to me and my *Financial Times* colleagues – and we are unlikely to be alone in this – are MI Group and Cannon Lincoln. Their unsolicited calls to the office have been counter-productive.

Why risk offending potential customers this way?

Stephen Auty, MI Group's marketing manager, estimates that only 5 per cent of his company's business comes from cold calls, with the majority coming from referrals and "re-servicing" existing clients. But he says: "We find the telephone is a vital part of our business. It is legal and people are allowed to do it." His counterpart at Cannon Lincoln, Eugene McCormack, describes cold calls as "a perfectly legitimate way to trade."

Both men complained that they, too, were plagued by many unsolicited calls from representatives trying to sell advertising space or direct marketing services. The difference is that they are being solicited in their *business* role, rather than as individuals.

The contents of a cold call are regulated by the Financial Services Act, with guidelines being set by the relevant self-regulatory organisation such as Lautro or Fimbra. The latter's rules are typical. Among other requirements, they state that a cold call:

■ must not be made at an unreasonable hour (the consensus seems to allow anything between 9am and 9pm).

■ must not be made to a number which is not publicly available.

■ must start with the caller stating his name and saying what member company he represents.

■ must state the "genuine purpose or purposes." (This is a good one. If you break into the caller's second sentence, as I am apt to do, to ask "what are you selling?", the chances of a straight answer are slim. Instead, there will be platitudes about "helping you" and "talking about your future.")

■ must be "brought to an end promptly if the person called on so requires." (From personal experience, again, the only way to bring such a call to a prompt end usually is to hang up. It may offend against civility, but your dinner is getting cold.)

But what if you want to stop the calls altogether? In the short-term, you would have to contact each company. MI, for example, has a "do not call" list of names and numbers. "It works and we enforce it," says Auty.

MI has little choice in the matter. Under Condition 9 of the Branch System General Licence, under which the Office of Telecommunications (Oftel) regulates the use of telephone systems in Britain, you can write to the company in question and demand that no further calls be made to specific numbers.

If you continue to receive unsolicited sales messages from the company, you can complain to Oftel or to the Data Protection Registrar.

So, if you want to stop the calls, have enough patience with the telephonic intruder to get this information:

■ the name of the caller and the company.

■ the name of the company's marketing manager and the address at which to contact him or her.

■ the name of the relevant self-regulatory organisation. Even if the call has been conducted within their rules, the SROs are interested in monitoring *public attitudes*.

If dealing with individual companies seems laborious and not worth the trouble, good news is on the way.

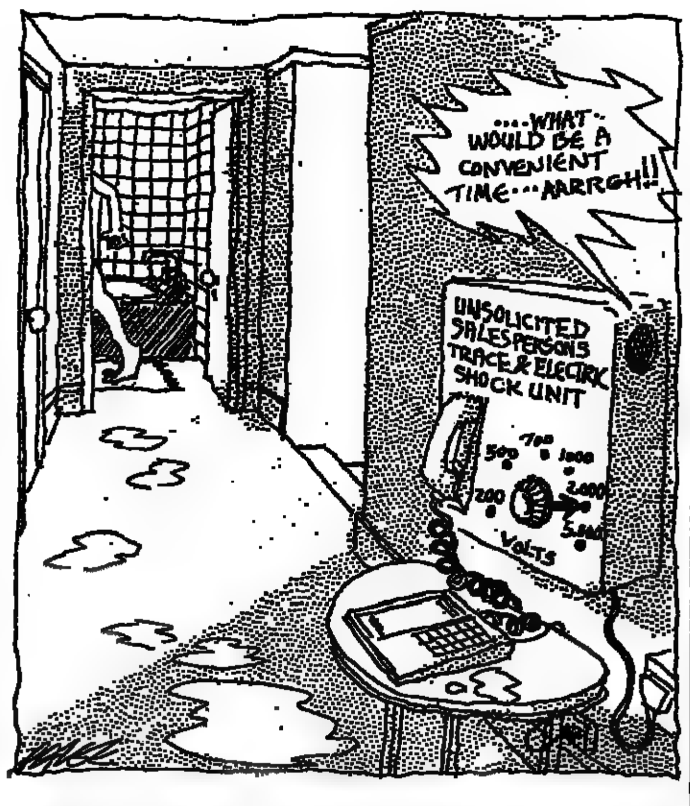
Oftel is considering a draft Telephone Preference Scheme prepared by the British Direct Marketing Association after consultation with the Office of Fair Trading. It would create a central register of individuals who do not want to receive any unsolicited sales calls. It would work similarly to the BDMA's Mailing Preference Scheme, which allows individuals to remove their names and addresses from direct mailing lists.

The regime would be run by a company set up by the BDMA, which is trying to minimise public resistance to its members' activities, but it would have the full backing of Oftel's regulatory muscle. Colin Fricker, the BDMA's director general, expects the scheme to be operating within six months.

He hopes British Telecom and Mercury will defray the cost of introducing the system and that direct marketing companies will pay for its operation. After all, it is in their interest to avoid offending potential customers they might more effectively reach through some other means. There will be no charge for having your name excluded from calling lists.

The regulatory sanctions will apply only to private telephone numbers, but Fricker says participating companies will be expected to adhere to guidelines, one of which says that no personal sales calls should be made to individuals at work.

That means tempers may stay cooler around here. In the meantime, some of us are still ready to say a swift goodbye.



A rollercoaster ride

ABTRUST has made its reputation in two fields, Europe and the Far East, thanks largely to John Morton and Hugh Young, the two fund managers responsible.

The Far East Emerging Economies trust was the best performing of all unit trusts for two consecutive years, 1988 and 1989, thanks to its heavy weighting in the buoyant Bangkok stock market.

However, now that stock markets around the world have been hit by uncertainty over the Middle East, few unit trusts are performing well. The Thai market has plummeted and other Far Eastern markets have had a rocky time.

"The Far East is not performing well this year," admits Young gloomily. Morton is equally despondent about Europe. The group's handful of specialist investment trusts, which a year ago were trading at a premium, are now at a discount, in common with many of their competitors.

Abtrust New Dawn, which invests in the Far Eastern markets, is trading at a discount of 13 per cent to net asset value, Abtrust New Thai (which is one of two investment trusts specialising only in Thailand) is at a discount of 15 per cent, and Abtrust New European is at a discount of 7 per cent.

All three are, as one investment trust analyst put it, "mere tiddlers", with the largest – New European – capitalised at only £31m.

Abtrust is a wholly owned subsidiary of Aberdeen Trust Holdings. It started life as the North of Scotland Canadian Mortgage Company, providing finance for expatriate Scots in the prairie provinces of Canada. More recently, as Aberdeen Fund Managers, it has been expanding as a unit and investment trust management group, buying up small rivals to increase its range of trusts and merging those funds which overlap.

In 1987 it acquired Baltic Trust Managers, and the next year it bought Atlanta Unit Trust Managers (which, as Young puts it, "was a bit of a mess") and Sentinel Investment Managers. Both were small unit trust groups: Baltic brought the European funds to the range, which Morton had been managing, while Sentinel, where Young worked, added some Far Eastern funds.

Today Abtrust has a stable of 17 unit trusts (including four UK exempt trusts for pension funds and charities), four investment trusts, and about £500m in total under management.

As can be seen from the accompanying table, the UK funds, gilt and fixed interest and investment trust fund turned in a far from dazzling performance and all underperformed their sector average over five years. The European funds and Far East Emerging Economies fund have not been running for long enough to have built up a five-year track record, but over three years both the Emerging Economies and the European trust have outperformed their sector averages. The European Income fund has underperformed.

The group wants to expand by buying other unit trust groups, and is looking for groups with between £100m and £200m under management. Abtrust's UK and US funds are run from Aberdeen, the group's headquarters, while the European and Far Eastern funds are run from London – but there is no particular logic behind this split. Morton and Young spend a fair amount of time travelling in their respective areas, checking on brokers' recommendations by visiting companies abroad.

The fund managers tend to invest mainly in medium to medium-large companies in the foreign funds because of the need to hold readily marketable stocks. When Morton started work on European shares, he noticed that his rivals in the field simply reflected the indices – he vowed to adopt the stock-picking approach instead.

Perhaps Abtrust's main handicap – and one which is understandable for a small outfit – is that it does not have any offices abroad. However, it plans to open some as soon as possible so that the managers are "closer" to the companies in which they invest, given the dubious accounting and lax regulations that characterise some of the smaller emerging markets.

Sara Webb

Unit Trusts under Abtrust management

	size (£m)	launched	performance over 5 years	sector
Amer Inc and Growth	10.1	1985	+22.1	+11
European	32.7	1988	-4.4*	-8.5*
European Income	4.2	1986	-9.1*	-8.5*
Extra Income	51.0	1985	+51.4	+75.6
F East Emerg Econ	8.6	1987	-0.7*	-22.8*
Fund of Inv Trusts	2.3	1973	+18.5	+61.6
Gilt & Fixed Int	7.4	1979	+15.4	+26.4
Japan	4.0	1984	+85.4	+93.5
Pacific	13.2	1979	+131.4	+71.3
Smaller Companies	9.3	1978	+25	+51.8
Special Sits	5.1	1979	+41.6	+51.8
UK Growth	24.1	1985	+23.5	+51.8
World Growth	22.6	1983	+46.3	+41.8

Size figures date from October 1, 1990. Performance figures are for the 5 years to October 1 except for those marked * which are for 3 years.
Source: Finstat

Dispute starts to dog neighbours

Q&A

BRIEFCASE

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

THE FENCE between our house and next door is the responsibility of our neighbour. Most of it is in very poor repair, and our dog can easily break through. Furthermore, he has taken a dislike to next door's dog, and is liable to attack him if they meet. They have already had one fight, resulting in my being bitten by next door's dog when I broke it up.

Our neighbour is well aware of these facts, but only repairs the fence in a piecemeal and inadequate fashion. Given this, to what extent might we be liable for any damage caused by our dog? To what extent might our neighbour be liable for any damaged caused by his dog?

■ Good fences make good neighbours, and as you cannot force your neighbour to fence effectively your only resource is to erect suitable fencing within your own boundary. You should also note that, following a recent decision, you may be liable for damage caused by your dog once his aggressive tendency towards the neighbour's dog is known.

A way for a will

My wife and I would like to make wills which would leave 5 per cent of one's share in the family home to the surviving partner and the remainder to our daughter.

However, we think that we are unable to do this since our £20,000 endowment mortgage with the Halifax, which has eight years to go, was conditional on the deeds showing us as joint tenants.

Is there any way we can make wills to achieve our aim other then redeem the mortgage?

■ You can sever the equitable interest by serving on your wife a written notice of severance. This would state that you hold the legal estate on trust for the two of you as joint tenants in common in equal shares in equity.

Caravan concerns

I am a retired lawyer and having concentrated on commerce I find my current library inadequate to provide an answer to my problem; and write to you as an avid reader of your journal, in the hope that your experts at Briefcase may be able to help.

I own a mobile home and pay the sum of £73 per calendar month as a rent to the site owner for the privilege of remaining in situ. In passing I may say that the current cost of a home similar to mine is approximately £75,000 to the buyer.

Our rents are reviewed every year and have been increased for at least the last 10 years. When an individual item such as maintenance, water charges, interest on monies expended for the benefit of the residents is considered, we can only relate to the previous year's expenditure without any reference whatsoever to the content of such items within the current rent. The site owner refuses to give a breakdown of how the figure of £73 is arrived at.

I understand that mobile homes per se are not controlled by the Landlord and Tenant Acts and I would welcome any assistance in tracing either a legal precedent or rule of equity which would enable the residents to obtain details of how their rent is calculated.

■ You must examine with great care the precise terms of your site hiring agreement. The Landlord and Tenants Act does not enable you to obtain a breakdown of the calculation of a caravan site rent. Whether you can have an active say in the review of the rent will therefore depend on any express or implied terms in the hiring agreement.

Two homes into one

I am considering buying my neighbour's terraced house and combining it with my existing house to make a large home.

What would I need to do to satisfy the Inland Revenue that the two houses had become my one and only main residence thus exempting them from capital gains tax on an eventual sale of the converted pair?

Would I be exempted from a Standard Community Charge on my neighbour's house provided that I notified the council of my plans?

If in the future I "re-converted" the pair back to two separate houses, as they are now, and sold one, would I still be exempt from capital gains tax?

■ This would be a matter for determination by the Appeal Commissioners if you are unable to secure the tax inspector's agreement.

The Community Charge is again also a question of fact, as your solicitor will explain.

If you re-converted your house this would be a matter for the Appeal Commissioners to decide, in accordance with section 103(2) of the Capital Gains Tax Act 1979.

The solicitor who acts for you in the purchase will, of course, be best placed to advise you on the tax angles – because he or she will have already access to the relevant facts, as well as either knowing the relevant tax law or having someone in the firm who does.

You may like to ask your tax office for the free pamphlet for owner-occupiers, CGT4, but do not place too much reliance upon it: the tax rules are intricate and arbitrary.

Dangers of D-I-Y tax

I am at present non-UK domiciled and hence do not pay capital gains on overseas assets.

However, to guard against the possibility at some time of having been deemed to have acquired UK domicile, I instructed my overseas bank to "bed and breakfast" some of my unit trusts, to establish a new valuation base.

I was surprised that the units were sold and bought back the same day. Is this acceptable to the UK Inland Revenue to establish a new valuation?

■ We are always warning readers about the risk of D-I-Y tax avoidance schemes embarked on without a preliminary study of legislation. On the bare facts outlined we can say only that if the holding constitutes a material interest in a nonqualifying offshore fund, within the meaning of chapter V of part XVII of the Income and Corporation Taxes Act 1988, then the fact that the purchase took place on the same day as the sale does not necessarily mean that the two transactions will be linked under the identification rules of the 1982 Finance Act. On the other hand, if the holding does not (and never did) constitute such a "material interest", then the two transactions will indeed be linked under the identification rules set out in paragraph 17(1)(a) of schedule 19 to the Finance Act 1985.

In a local reference library you should find the provisions mentioned above in the *British Tax Encyclopaedia* or *Simon's Taxes*.

MINDING YOUR OWN BUSINESS

The quiet craft of an artful bodger

ONCE UPON A time in Mid-Wales, there was a clearing in the woods. In it could be found a doctor, an engineer, an accountant, a buyer for British Aerospace and a tree surgeon, all busily shaping furniture legs. Lathes whirred, shavings flew, but no motor could be heard. Indeed, there were no mechanical sounds of any kind, for these gentlemen were learning the art of chair bodging, and since they were learning it from Tim Wade, they were using pole lathes powered by nothing more motorised than their own feet.

Wade is a chair bodger by trade, one of only four in the entire UK. For the past six years he has made his living from bodging, which is the traditional woodland craft of using a pole lathe made from a springy sapling to create chairs, bowls and other items out of unseasoned greenwood.

Bodging originally applied to the construction of Windsor and ladder-back chairs, more specifically, to the construction of chair legs, stretchers and spindles. The bodgers of old were itinerant craftsmen who moved around the woods making nothing but the turned components of chairs.

The tradition of bodging goes back at least 500 years, and in the latter part of the 19th century, hundreds of bodgers practiced their trade in the woods around High Wycombe. They supplied chairmakers who sent the finished products to London via the markets at Windsor – hence the name of the chair.

The craft was as widespread as Devon, Wales (where the chairs are known as Welsh stick backs), and the north of England, and each region developed its own distinctive style of construction. The word bodger may be derived from the Old German botticher, which meant cooper, or from the English badger, since bodgers spent most of their lives in the woods.

The bodgers' pole lathe was made from a 12 ft long ash or larch sapling fixed to the ground and supported by two poles. A cord joined the end of the sapling to a foot treadle which, when pressed, caused a springing motion. Logs were felled and split, and roughed out to an octagonal shape on a shaving horse, a type of workbench. The billet, as the wood was known, was fixed on a frame. When the treadle was pumped the billet spun and the bodger shaped it with chisels. An experienced bodger could turn out 600 to 700 chair legs a week, which were then stacked to season in the same woods from which they had been cut.

With the rise of mass-production the bodgers slowly died out; the last of the older generation, Owen Dean of Great Hampden, retired in 1950. During the early '80s, however, Wade and three other craftsmen each became interested in rural woodland arts, and like other folk traditions, bodging enjoyed a revival.

Unlike their predecessors, today's bodgers make completed chairs, stools, rakes, and bowls as well as a variety of smaller utilitarian and decorative items. They also conduct demonstrations of, and teach courses about, their craft and what's more, they manage to make a decent living out of it.

Wade estimates that his yearly earnings from courses, exhibitions and commissions are about £15,000 – a vast improvement on his first-year income which was "not more than £2,000 to £3,000."

After years of working as a shipwright in London, he took up bodging with nothing more than an enterprise allowance and a burning desire to live and work in the country; today, he works year-round on commissions and conducts courses and displays on green woodworking during the summer months.

Wade owns seven acres of woodland which he intends to coppice to assure his supply of wood. For now, he buys logs from local farmers who own coppiced woodland, thereby adhering to his own principles of environmentally sound woodland management, while keeping his outgoings to a minimum.

"It doesn't cost very much for materials," he said. "Because I work without electric equipment, my overheads are quite low; raw wood, tools, and other supplies I suppose amount to around £2,000 a year.

"The whole point of bodging is that you can go to the source of the wood rather than the source of the wood coming to you." Wade said. "Here, the process begins with green wood. It cuts like butter, doesn't create dust, doesn't blunt tools as quickly and gives a better finish than seasoned timber. Working with hand tools, the bodger sees and feels any irregularities within the wood, ensuring greater quality."

In spite of the beauty of his furniture – he calls his chairs the "antiques of tomorrow" and signs and dates each one he makes – Wade does not survive on bodging alone.

"The demonstrations promote the chairs and the courses. All three are very closely linked," he said.

Under the greenwood tree: Tim Wade at work on a shaving horse

Wades's prices begin at £120 for dining room chairs and range to £300 for Welsh stick backs. He receives about 50 commissions a year – including dressers, tables, and other items besides chairs – which usually come via demonstrations at craft fairs and other events.

Wade estimates that there are "hundreds of pole lathes all over the country, in people's back gardens and basements," the result of the growing popularity of his courses.

Working in the tranquility of a forest clearing is addictive stuff. Sunlight filters through the trees; a faint odour of campfire smoke mingles with the scent of freshly cut wood. The soft thump-thump of treadles, the gentle scraping of chisels and quiet burr of an ace as it shapes a chair seat blend in unobtrusively with bird-songs and the occasional cries of sheep from an adjacent field. The wood overlooks a spectacular view of hills and valleys surrounding Builth Wells. The courses are satisfying and relaxing. The craft, said Wade, can be learnt by anyone.

"The techniques are easy to pick up. the method is no different to modern electric lathes, but bodging is safer because it's easily controlled. Modern lathes cost thousands of pounds and people buy them thinking that with the most expensive equipment, they will get a better result. Then they see a simple device like this pole lathe which costs £20 to make and produces the same results. All you need is the skill which is here in your hands and your head."

■ *Wade charges £60 for three-day courses and £100 for week-long courses. Tim Wade, Ty Gwillym, Llanfihangel, Bryn Pabuan, Builth Wells LD2 3SH. (0597) 89 469*

Glory of the gardens where the tourist trade blooms

Nick Garnett meets John Weltz, who runs horticultural package holidays

"FUNNILY enough, for a small company it is not difficult making money. The problem is keeping hold of it." John Weltz contemplates a problem common to many tiny companies: keeping a lid on spiralling costs.

On this score, Weltz himself does not appear to be doing too badly. He advertises his small business at many horticultural shows. But he does not sell flowers, bulbs, push-pull weeders or heaters for making greenhouses glow. He sells holidays.

After organising a speculative tour to the gardens of Devon in 1986, Weltz set up Garden Tours from a tiny office in Milton Keynes. After making a turnover in the first year of £162,000, Garden Tours has bloomed into a business with sales last year of £600,000 and a useful 18 per cent net return.

Shovelling people on to planes for mass market package trips has been a death bed for many a company in the hothouse of the travel trade. But Weltz, a 36-year-old former sales manager with Ladbroke Hotels realised there was a secure niche for relatively expensive tours taking botany lovers to some of the world's nicest ornamental gardens.

Some 1,000 enthusiasts of topiary, secret arbours and landscape architecture now book trips with Garden Tours every year. And it is not just the brogues that make them well healed. They also have money. "Most of our clients are around retirement age. We have a lot of GPs. High interest rates have been good for us because most of these people don't even know what a mortgage is. We are more likely to get paid by a cheque from a Kleinwort Benson high interest account than from Barclays."

These green-fingered customers cannot be short of cash because the tours do not come cheap. A five day break around the gardens of western Scotland costs £400, a garden tour of Tuscany is £1,000 and a whiz around the verdant splendour of South Africa £1,500. In return they enjoy a complete package of four star hotels, specialist guides and arranged trips to two or three gardens a day. There is also the lure of gardens usually closed to the public or plants not easy to find. Among the 30 itineraries in Weltz's glossy 44 pages brochure are visits to Ninfa, a garden south of Rome which has virtually consumed a medieval village, the Pope's summer residence Villa Barberini at Castel Gandolfo and to the giant, scent drenched Doltsolpa flower on Madeira. At Vasterival near Dieppe, the happy band of horticulturalists has tea with the garden's owner, Princess Sturdza.

There are three interesting aspects of setting up and running such a business as Garden Tours: cultivating the thick undergrowth of organisation required to set up a package tour; seeking out rather special customers; and trimming expenditure.

One big advantage is that starter costs were low. Only about £4,000 was needed initially, and from then on the company has been virtually self financing, said Weltz. The holidays are pre-paid so the cash comes in before made before Garden Tours has to for out for hotels, flight tickets and tour buses.

"Once it appears in the brochure and you can see that the tour is coming together because of the bookings you are getting you then confirm a provisional booking for accommodation and coach, and it is that stage that you have to start putting deposits down," said Weltz.

There are still only two full time staff, Weltz and his partner David Cooper, though the company can call on four other people to help out. In addition Garden Tours uses up to 25 professional guides contracted on a tour by tour basis.

To start with, Weltz did most of the spadework himself, pouring over books and journals for gardens suitable for holiday packages and travelling to them to make arrangements. Now, many of the tours have been refined by the British based tour guides and by foreign travel agents used by Garden Tours to handle some of the organisation.

"One of the biggest problems is co-ordinating the huge amount of information needed to run a particular tour. A ten day tour would involve something like 50 to 100 arrangements." That includes gardens, buses, aircraft flights and tour leaders. Scheduled flight services are used because Weltz believes these provide greater reliability.

The way Garden Tours "recruits" clients has held some surprises for Weltz. Much of it is done through direct mail shots to people on garden mailing lists. Travel agents are not used. Advertising is done through magazines like those of the Royal Horticultural Society. But Weltz says he has been able to reduce his advertising costs from £30,000 in the first full year to about £7,000 this year. One reason for this is the startling success of "referrals" where people are invited on booking forms to suggest names of friends who might also like a copy of the tour brochure. "This alone has added about 40 per cent to our market." Apart from that, a high proportion of customers come back for two or more tours.

Weltz estimates that the potential UK market for his type of tour is only about £1m. That would require increasing the present number of tours from 50 to about 65. Greater stress therefore has been put recently on attracting overseas holidaymakers. The company has agents in West Germany and California and next year a party of Uruguayans are visiting English rose gardens.

On costs, Weltz says the aim is to take risk out of the business. Tours average about 20 clients, designed to give what Weltz calls a "house party atmosphere". But the other main reason for restricting numbers is to control costs. "You make much more money filling a small coach than half filling a large one. Our breakeven is very low."

That does not mean there is not some risk. A 7 per cent swing last year on Portuguese currency was enough to wipe out all the profits the company was expecting on its Portuguese tours. Trips to Kashmir and China have had to be scrapped.

Weltz has also been faced with a striking rise in the cost of servicing his company. The price of producing a glossy brochure has rocketed to £17,000 for a copy run of 5,000.

More striking has been the rise in costs of employing professional tour guides, most of whom are botanists, specialists in park and garden architecture and broadcasters. The average daily charge such guides make has risen in the past few years from £50 to £100. Minor celebrities like Roy Lancaster, the writer and television broadcaster command much more. Weltz concedes that this has caused friction within the company, and he has recruited half a dozen younger guides to help weed out some of this unexpected jump in expenditure.

Weltz himself is not a particularly keen gardener and has not found time to look after his own. "My garden has almost fallen into disrepair," he says.

■ *Garden Tours, Premier Suite, Central Business Exchange, Central Milton Keynes. 0908 609551.*

PERSPECTIVES

Ghosts that refuse to be laid to rest

Christian Tyler on the fresh controversy over the 1945 repatriation of anti-Communist Russians and Yugoslavs

MORE THAN 45 years after their murder or imprisonment by Stalin and Tito, the ghosts of 70,000 anti-Communist Russians and Yugoslavs repatriated by the British Army in Austria in the summer of 1945 refuse to be laid to rest.

They haunted an upper room in Whitehall this week at the public launch of a two-volume report, privately compiled, which attempts to nail for ever allegations of conspiracy and cover-up by the former British Prime Minister, Harold Macmillan, then political adviser in the region, and senior Army officers of the time.

But it quickly became clear that the authors of the report would be denied the triumphant conclusion they felt their four years' labour and vast assemblage of documents deserved.

For infiltrated among the invited journalists (most of whom had had no chance to read the report in advance) were a number of well-primed and prejudiced protagonists of the controversy.

Among the first to intervene was Nikolai Tolstoy, author of the allegations that the report aims to dispel, who stood up to read out documents which, he claimed, contradicted the team's interpretation. Tolstoy, an indirect descendant of the great Russian writer and who uses the courtesy title of "Count", had gained admittance by describing himself as correspondent of an Croatia exiles' newspaper, Nova Horvatka.

The son of a White Russian emigre and an English mother, Tolstoy has pursued his case with almost unbelievable stubbornness, even to the point of bankruptcy. The biggest sum of libel damages in English history, £1.5m, was awarded against him at the end of last year for his attempt to implicate Lord Aldington, who as Brigadier Toby Low of 5 Corps in Klagenfurt, was in charge of administering the repatriation of Yugoslavs.

Far from being abashed Tolstoy seemed encouraged by the demolition job in which every brick of his argument appears to have been kicked aside, and afterwards dismissed the report "a whitewash".

Another historian, Peter Gwyn, after snorting derisively through the authors' presentation, then leaped to his feet to challenge the credentials of the team: Brigadier Anthony Cowgill, a former Army officer, Lord Brimelow, a retired diplomat with responsibility for repatriation policy at the time, and Christopher Booker, a journalist who has followed the controversy. Cowgill's answer was that both he and Booker at least had started out sympathetic to Tolstoy's case but had been converted by their detailed study of the documents.

Macmillan's biographer, Alistair Horne, said it was clear to him by 1986 that there was no conspiracy, but sought the panel's assurance that there had been no sort of deal or agreement between the British military and Tito over the treatment of the 26,000 Yugoslavs which he described as far worse morally than the repatriation of the 41,000 Cossacks.

When Brig. Cowgill was asked about a rumour that he worked for British intelligence, he roundly denied it, whereupon Lord Brimelow declared that similar rumours about him were equally unfounded. Interjections by other experts added to the general confusion until the meeting degenerated into a slanging match between partisans, and the ghosts of the dead had their revenge.

The Cowgill report is an attempt to separate arguments about fact from arguments about blame. It is not contested that Soviet nationals were due to be handed over: whatever the morality of that decision, it was part of the Yalta agreement, a concession arrived at after considerable agonising in the British Cabinet and designed to secure the safe return of British prisoners liberated by the Red Army. Among the Cossacks, however, were a number of non-Soviet nationals from pre-war Poland and the Baltic, and White Russian refugees with fresh passports. Cowgill's report concludes that no-one knew this at the relevant time and that screening of individuals was actively discouraged.

Tolstoy: still angry at the injustice of repatriating anti-Communists after the Second World War

But the military order to hand over the Yugoslavs is much more problematical. Allied policy was to keep back the anti-Tito Yugoslavs in refugee camps until their fate could be decided politically. But orders were also given not to accept the surrender of anti-Communists who had fought alongside the Germans against Tito. Thousands of them nevertheless managed to fall into British hands, including those sent back by 5 Corps and subsequently massacred by Tito's forces.

Cowgill's report suggests that there was considerable confusion at the time, not least because of fears that Tito's partisans would try to secure parts of lower Austria, but it also reveals a puzzling web of contradictory intentions some of which resulted in orders to commanders in the field and some of which did not. Certainly Field-Marshal Alexander wanted to "clear the decks" in case of a confrontation and, says Cowgill, the necessary (but initially imprecise) order was given by his staff and followed openly up and down the chain of command.

Lord Aldington, now back at work in the House of Lords, said this week that as far as he was concerned, there had been no confusion. "I know what my orders said," he told me. If there was confusion, it was among the civilian bureaucracy of the Foreign Office, not the Army.

He said he had been overwhelmingly vindicated by the jury and now the reputation of his brother officers had been restored by the Cowgill report. Only one man refused to accept the evidence – Tolstoy.

Nobody had liked the repatriation, but it had to be done. It had now been established that they had no reason to know that the Yugoslavs they sent back would be wrongly treated. If they had known, there would have been no question of returning them, he added.

"I don't see how you can blame the British Army for doing what it did. I don't like the feeling that the British public have the feeling that the Army have a stain on their escutcheon."

Lord Aldington regards what happened as one of the dilemmas of war: what was done was unpleasant – because the prisoners did not want to return – but not wrong and therefore no blame should be attached. "It has confirmed my view that war and its aftermath are horrid. You are confronted with the need to do the most terrible things."

If there is one unsolved mystery in this extraordinary saga, it is the almost insouciant persistence of Count Nikolai Tolstoy in the face of the growing weight of opinion against him – in spite of the desertion of early supporters like Booker, the Damoclean sword of a stiff injunction and nearly £2m in damages and costs, and now the sheer documentary weight of the Cowgill report.

The Count is an affable, intelligent and fluent man, who smiles readily – too readily perhaps – and shows no hint of the obsessiveness or fanaticism of which his critics accuse him. Some have explained Tolstoy's crusade by pointing to his emigre background, his attachment to right wing, royalist and anti-communist groups or to historical romanticism in general. Others would say he is deeply naive: naive in attempting to arraign a figure of such importance as Harold Macmillan without supplying overwhelming proof or a credible motive; naive in becoming party to another man's private vendetta against Lord Aldington, and naive in welcoming the ensuing libel action as a chance to air his theory in public.

Whatever the explanation, Tolstoy made this week only minimal concessions to the arguments piled up against him. He refused to retract his conspiracy theory. After reading the report he admitted that he had found some of the documents "enlightening". But he also claimed that he had already seen most of the new material and indeed had supplied key documents to Brig. Cowgill early on in the team's researches. He accused the report of "obfuscation" and "pure conjecture" in vital areas, maintaining that what purported to be a documentary account was really another, more comforting, interpretation of history. The result of the Cowgill research, he claimed, was not to clear everyone of blame, but to diffuse the blame more widely.

"People are not intended to understand," he said. "According to Cowgill there was a fog of war at the time. Now there is a Cowgill fog."

Certainly this week's book launch shed few rays of light through the gloom of the affair, at least for public understanding. Tolstoy is already rewriting his banned book *The Minister and the Massacres* to include new material – though whether he can find a publisher anywhere in the world is another matter. Booker is writing the story of the controversy for early next year, and the BBC is planning a documentary. But it looks as though it will take the patient labour of some impartial historian (assuming any can now be found) finally to lay to rest the ghosts of the 70,000 prisoners.

■ *The Repatriations from Austria in 1945: published by Sinclair-Stevenson in 2 vols, £18.95 and £24.95.*

Freeze your assets and buy a second life

Tim Burt meets two Britons who believe they can be revived after death thanks to cryonics

GARRET SMYTH is a young man with a mission. The 29-year-old student aims to be one of the first Britons to be resurrected after he dies.

Smyth is among 20 customers in the UK who have pinned their hopes and their finances on Cryonics, an American-pioneered scheme which aims to freeze human remains soon after death and revive them in the future.

On his death, Smyth's head will be removed in an operating theatre, the blood extracted and his veins filled with a sophisticated anti-freeze agent. He then expects his remains to be shipped to California where they will be stored in liquid nitrogen at −196°C until such time as medical science develops a technique to restore life to the dead.

If the Londoner is returned to the living he could be in illustrious company, according to the American Cryonics Society. Dr Avi Ben-Abraham, the society's president, says he has received an inquiry from the Iraqi government into the life-enhancing prospects of freezing, or suspended animation. Saddam Hussein, the president of Iraq, is said to be interested in the technique.

A number of American scientists believe Smyth and Saddam have every chance of being around in hundreds of years time if embryo and transplant technology continues to make rapid progress.

Next week the scientists are coming to Britain in a bid to spread the word about "life extension" and encourage freezing centres to open in Europe. Experts from the US, Britain, France and Hungary are meeting at a hotel near Gatwick Airport to debate how cryonics can save lives.

The Alcor Foundation, based in Riverside, California, has already opened its first centre in Britain, where Smyth and others will be dismembered and effectively drained of their lifeblood. Alcor (UK) is, appropriately enough, sited on an industrial estate in Eastbourne, the seaside resort best known for its elderly residents living out their last years of their lives.

The centre was able to open thanks largely to the donations and support of Alan Sinclair, a retired engineer who has invested £300,000 in the project. Sinclair, like Smyth, has agreed to pay the Alcor Foundation a large sum of money to freeze his remains after death.

The foundation's work, however, has been condemned by leading British surgeons and scientists who say the freezing process has no chance of success.

Dr Julian Bion, a senior lecturer in intensive care at the Queen Elizabeth Hospital in Birmingham, thinks patients attracted to suspended animation are seriously mistaken.

"You can arrest the process of death but you cannot reverse it," he said. His concerns at the promises being marketed by the Alcor Foundation, have been echoed by other academics.

This scheme is not consistent with the state of the art today, in organ transplant and skin graft surgery according to Professor Ralph Scurlock director of the University of Southampton's Institute of Cryogenics. "It is pseudo-science."

The facts are not promising for Alcor's clients. Doctors today are able to keep a human kidney alive outside the body for a week by cooling it to zero degrees and reducing the metabolic rate. But that is a long way from injecting a fresh corpse with non-clotting agents before pumping in an anti-freeze and immersing it in a cold tomb.

Human cells cannot survive this freezing process, according to Prof Scurlock and Dr Bion. Both men agree that cell damage is irreparable and they claim that the Alcor Foundation is dealing in fiction.

A body would have to be frozen within seconds of death to minimise cell damage. And Prof Scurlock says the liquid nitrogen used by Alcor could not freeze a fresh corpse to the required temperature in less than 30 minutes.

Garret Smyth is undeterred. He is sure that his decision to make over a life insurance policy to Alcor worth £100,000 will be money well spent.

Speaking from his home in Putney this week, Smyth said: "I'm confident Alcor will use the money to care for me after my death. Obviously the first reaction is that it is an elaborate trick but I disagree."

The business of freezing terminal patients for future revival has thrown up unprecedented legal implications over whether the agreements between the freezers – in this case Alcor – and its clients constitutes a contract in the eyes of the law.

An unenforceable contract will not be recognised by the courts. Smyth admits that once he is dead, his frozen head will have no means of redress if medicine fails to discover a way of cloning it back on to a living body with all its faculties intact; and the position of his estate might be highly complicated in law if he were to return from the dead.

He is pinning his hopes, meanwhile, on a change in the law recognising that people in suspended animation should enjoy some legal rights. But even the most vehement supporters of cryonics find it difficult to imagine a corpse or frozen organ hiring a lawyer and going to court over its failure to be "brought back".

Alan Sinclair, who plans to have his whole body frozen in time, dismisses the medical and legal arguments against cryonics.

The organisation, he says, is non-profit-making. The cost of immersing a body at Alcor's California centre is estimated at around £100,000. Sinclair has taken out a life insurance policy to cover that amount and says the money should pay for the maintenance of his remains.

"The freezing operation will cost around £20,000. The remaining £80,000 will be put in a care fund managed by Alcor and the interest each year should pay for the costs of keeping me in liquid nitrogen," he said.

The cryonics supporters gathering at Gatwick next week hope to win over their critics. Saul Kent, The director of Europe's first cryonics conference, thinks the cynics will be defeated by medical progress in the 21st century which he belives "may be able to restore cryonic patients to life, health and youth."

He has already convinced Garret Smyth and Alan Sinclair. Sinclair expects more clients to sign up for what he calls "a reasonable gamble".

Smyth, meanwhile, fully intends to be alive and kicking when most of the present population is long dead. "It may be a long shot but there's evidence that brain tissue will survive.

"I find it difficult to understand why more people don't go on the scheme."

'Misery line' celebration

Jeremy Clyne enjoys burrowing into Underground history

COULD LONDON have had a better birthday present than the £1.4bn cross-London rail tunnel, announced last week by Transport Secretary Cecil Parkinson?

The Crossrail scheme will break new ground by carrying main line trains under the city centre – exactly 100 years after the opening of the London Tube, the world's first underground electric railway.

While London's public transport now lags behind that of other capitals it was a different story 100 years ago when Victorian engineers were at the cutting edge of tunnelling technology.

The City and South London Railway, between King William Street in the City and the developing suburb of Stockwell, was completed in only four years and was the first practical electric railway and the first deep-tunnelled railway.

The line has grown into the 36 miles of the Northern Line, a route which has earned a number of epithets. Dubbed some years ago the Misery Line for its delays and overcrowding, the southern section gained the added title of Bandit Country for the high number of muggings. More notoriety was gained with the Kings Cross fire in November 1987.

However, this year almost £1bn is being spent on modernising and upgrading the line, the longest and most complex in the London Underground.

London Transport's celebrations include a 17-month exhibition at its Covent Garden museum and a gala weekend at the Morden depot on November 3 and 4, the date when the Prince of Wales made the inaugural journey to Stockwell – although a breakdown forced the party to struggle back to town by conventional means.

The railway's story is told in an illustrated 72-page monograph by Printz P Holman, a stout defender of today's Northern Line.

Holman's book tells how the line that opened in 1890, powered by the world's biggest generator of electricity at Stockwell, bore little resemblance to what had been intended when construction started in 1886. Not only was it twice as long as planned but its means of traction was changed.

Men had been burrowing through the London clay for six months, at an average rate of 16ft per day, when the company recognised that the planned route to Elephant and Castle was too short to be a commercial success. It deposited a bill with parliament for a Stockwell extension. Three months previously assent had been given to a bill for a further extension to the fast expanding suburb of Clapham.

Hiccups with the building of the Channel tunnel today seem minor compared with the near-debacle over the means of traction for the trains. Up to 1888 they were to be hauled by cable, a plan which the chairman, Charles Grey Mott, had never been happy with. It was only then that the decision to switch to electric power was taken and companies were invited to tender for train construction.

The speed and daring of the project was not without its costs, although there is no record of deaths during construction. Building the earlier steam-drawn Metropolitan railway, in a cut-and-cover trench through the capital, had entailed huge disruption as vast tracts were dug up. Compared with that the subsidence caused by tunnelling the City and South London was a minor annoyance, and the company surveyor noted that the amount paid for compensation amounted to only 2 per cent of its capital.

Part of the Underground during Victorian times

The company's leap in the dark turned into a huge success. The locomotives – not strong enough for the job when fully loaded – often had to take several attempts at slopes. Contemporary accounts describe dull, poorly-lit stations, with the musty smell of a cellar or coal mine. Not a lot has changed, some commuters might say.

The company's shareholders were none too pleased when it was decided to abandon King William Street station and a substantial length of line little more than a year after the opening. It had been realised, rather late in the day, that if the line was to progress north the only route had to be via a different alignment involving constructing a new tunnel under the Thames to a new station at Bank.

Building that station resulted in a battle over – and under – the site, the vestry of St Mary Woolnoth. A legal wrangle, which ended in an appeal to the House of Lords, together with underpinning the structure and removing human remains, cost the company more than £200,000.

As the line developed bits of tunnel were abandoned and stations modified and rebuilt with astonishing rapidity. Today progress is slower. Reconstruction of the Angel station in Islington is taking three years to complete, almost as long as building the whole three miles of the original railway.

The Angel project, costing £80m, is the first element of a plan to spend some £900m on the line over the coming decade. This includes some £100m on London Bridge and Tottenham Court Road Stations, £400m on a fleet of trains and £200m on a signalling system which, by allowing trains to run faster and closer to each other, could – according to Northern Line general manager Bob Bayman – allow a 30 per cent increase in line capacity.

The line's strategic importance is growing. It will have two connections with Docklands, one via the Bank terminal of the Docklands Railway and the other via the London Bridge interchange with the new Jubilee Line extension. It will serve both planned Channel tunnel rail terminals, at Waterloo and Kings Cross.

Bayman cites possible office development to the north and south of the Square Mile as a further reason for increasing the line's capacity.

At the Mill Hill East terminal plans are even being studied to extend the line – a modest one-stop overground extension.

BRIDGE

My first hand comes from teams-of-four:

N
♠ K 6 5
♥ 3 2
♦ K J 7 3
♣ Q 9 7 4

W	E
♠ J 8 2	♠ 10 9 4
♥ A 7 4	♥ 9 8 5
♦ 9 4	♦ 10 8 6 5 2
♣ A K J 10 2	♣ 8 5

S
♠ A Q 7 3
♥ K Q J 10 6
♦ A Q
♣ 6 3

West dealt with both sides vulnerable, and opened the bidding with one club. After two passes South reopened with a double, North replied with two diamonds, and South said two hearts. When North now bid two no trumps, South jumped to four hearts, and all passed.

West started with the ace of clubs, East playing the eight, and continued with the king, and on this East dropped the five. Summing up the situation, West decided that the declarer could have no further side suit loser. The only hope of an extra trick was the uppercut. If East could produce eight and nine of hearts, West's seven could be promoted and be the setting trick. At the third trick West led the club two – not a suit preference signal, but to make sure that his partner ruffed high. Dummy played the nine, and East ruffed with his eight of hearts. South overruffed with the 10, and led the king. West took his ace at once, and led another club. East ruffed with his nine, South overruffed with the knave. The heart queen was led, and West was left with the seven, which was now good, and defeated the contract.

We turn to rubber bridge:

N
♠ J 4
♥ A 6 5
♦ A J 6
♣ A Q 10 9 4

W	E
♠ K 9 8 7 2	♠ Q 6 3
♥ 10 7 4	♥ J 9 8 2
♦ 9 8 4 3	♦ Q 10 7
♣ 7	♣ K J 2

S
♠ A 10 5
♥ K Q 3
♦ K 5 2
♣ 8 6 5 3

North dealt at game all and bid one club South replied with two no trumps, and North's three no trumps concluded the auction.

West opened with the seven of spades, dummy played the four, and East the queen. Seeing that by winning this trick he would set up another winner in the suit, the declarer won with his ace, and ran his eight of clubs. The knave won,and East returned the six of spades. South played low, so did West, and the knave won. Crossing to his heart king, the declarer led another club, finessing the queen. The king won, and East's return of his last spade defeated the contract.

South was led astray by greed. If he had not held the spade 10, he would, of course, have held up his ace until the third round. Then he could have taken the club finesses in perfect safety. An extraordinary error for a good player to make.

E.P.C. Cotter

Digging for history

***Robin Lane-Fox** on an enjoyable glimpse into the lives of eminent gardeners and an insight into the English rural idyll*

MANY OF you seem to find gardeners even more interesting than gardens. Why do they do it? Are they usually women? Are they compensating for their marriages, non-marriages or Vita-life, as seen on television for the last few weeks? What about the balance between plants, designing and space: is gardening an art only when practised by architects and is it a self-imposed obstacle course when pursued by what one of their number described to me as "planty" people? Where does it all come from, this English idyll of life in the country which captivates outsiders every summer? I have even been told, by the novelist Piers Paul Read, that gardening is a substitute for sex.

Most of these questions (except the last one) are enlivened by the contents of the new book from Jane Brown, the garden historian. Since the '80s, she has emerged as a shrewd and fond presenter of gardeners of the past century: her *Eminent Gardeners* is a highly enjoyable companion for anyone who gardens as second nature and feels part of a longer tradition which they do not fully understand.

I have enjoyed it most of all for its glimpses of little-known and forgotten gardens, not just the famous designs by Miss Jekyll, but more rarified shrines from the past including the King Edward VII Sanatorium in Midhurst, Sussex. She isolates it as a main surviving garden by a pre-war designer, Christopher Tunnard, whose non-planty vision she admires, whereas I mistrust it. Garden-visitors, wanderers and intruders will find unusual ideas for a weekend in every one of her chapters.

I also like the form of her enterprise. It is a collective biography of different people who share a related interest, but it is not a biography in overwhelming detail of one figure with a few peccadilloes, just because this person has not yet been "done." I wish we had more examples of this collective form which is so important for a proper understanding of many arts, pastimes and civilised pursuits. People learn and emulate each other, often by a sort of social osmosis which Brown is absolutely right to emphasise.

Her eminent gardeners include American gardeners in England, Norah Lindsay (a figure of influence and importance), Frances Wolseley (a patron saint of women gardeners: she wrote *Gardening for Women* as early as 1908), the designer Tunnard and a chapter, too, on Academic Gardeners which is unusually enthusiastic about the garden still visible at Newnham in Cambridge.

One advantage of this approach is that it puts the big names in context. I would single out Brown's splendid chapter on the various colonists who settled near Broadway in The Cotswolds at the beginning of this century, dreamed their rural dreams and set out to obtain them in gardening. For several decades, this Gloucestershire frontier benefited from an unrepeated blend of artists, Americans, men of letters and families with the money and imagination to envision old walls, yew hedges and rainbows.

She reminds us of the seminal importance of John Singer Sargent's printing entitled Carnation Lily, Lily Rose which appeared in 1885: it caught the romance of two girls in a wild, wild garden at dusk, with a setting of flowers from his friends, the Millets and their garden on rented property in Broadway village. The artist and gardener Alfred Parsons picked up the glimmering legacy, designing romantic borders for the sensitive owners of rural Gloucestershire dreams.

In the Edwardian era, Americans were already making a pilgrimage to that famous hotel, the Lygon Arms. Henry James, the king of Americans in exile wrote in 1906 of his visit to Warwickshire in the Cotswolds: "I have been interviewing the genius of pastoral Britain."

Anne Jemima Clough: the inspiration behind the garden of Newnham College

Parsons helped James with his own garden in Sussex: you may remember Mr Longden's garden in James's novel, *The Awkward Age*, where pinkish old brick walls basked in the sunshine and "there was an air to the place in the August time which thrilled all the while with the bliss of birds, the hum of little lives unseen and the flicker of white butterflies."

The importance of the Broadway group is considerable. It throws valuable light on the maker of nearby Hidcote, Lawrence Johnston, another American exile who settled in this corner of slumbering Warwickshire and made one of the great works of art in the British landscape this century. He and his mother were guided in their tastes and contacts by the Broadway world. Johnston has always remained a historical mystery but through Brown's collective biography, I do see more clearly how his gardening in Warwickshire gained confidence. "Lawrence Johnston spent the years from 1907-1914 settling into the Broadway world and slowly his shyness was warmed away by the like-mindedness of his new friends."

Biographers and historians of important people are still capable of forgetting the importance of friends. In gardening history, they are part of the personal culture and civilised range which serious gardeners bring to the art which they love: friendless gardens are usually competitive exercises in collecting features and showing off. Brown is excellent at linking up names and pleading for garden-architects who react against keen plantsmen.

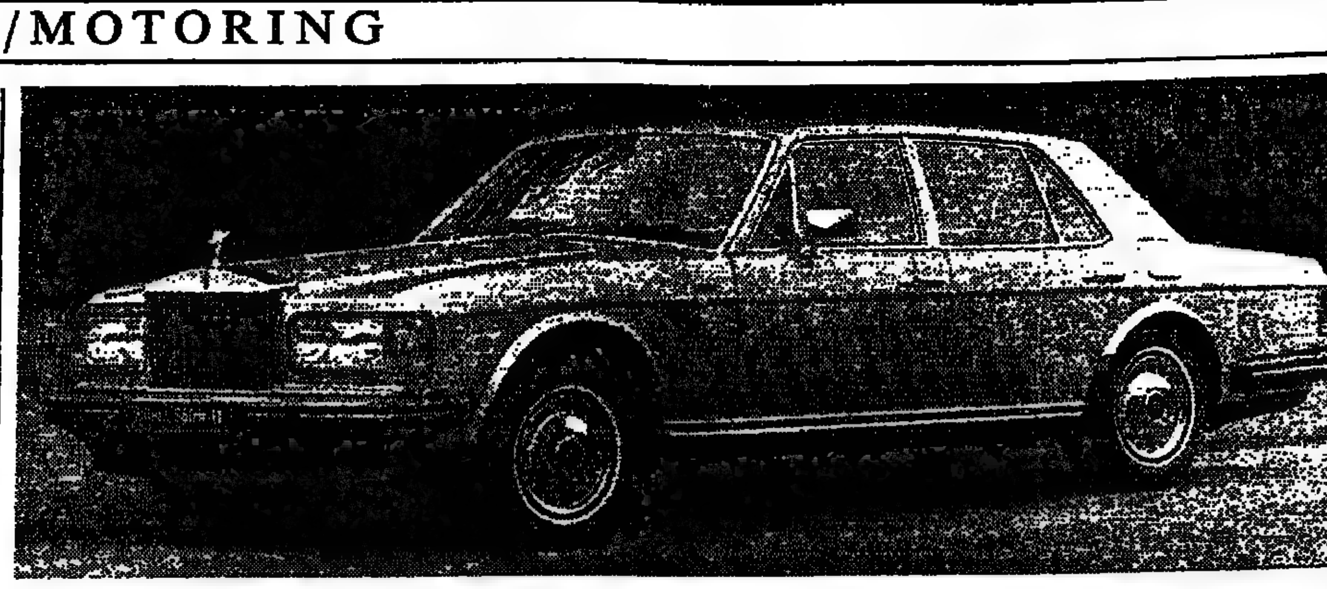
I miss, however, the sense of the love of plants, the challenge of cold, dark earth and the ups and downs of growing and succeeding which most historians of gardening still seem to underrate.

I also have a few quibbles. She writes about Norah Lindsay, but does not realise that copies of her extraordinary catalogues on old-fashioned roses still survive with their amazingly lush descriptions of hundreds of old-fashioned roses.

Among academic gardeners, she shows surprising respect for a late Professor whose main achievement was to rate the groves of St John's College Garden in Oxford by trying to turn them into a peat-based garden for the rhododendron which grew on that suburban academic graveyard, Boar's Hill. I relish the fact that she also credits me with a new duty as Keeper of the Groves in that college, a well-meant mistake for the mathematics tutor whose extravagance with shrubs, the rockery and planting has given hours of horror and wonder for keen gardeners down the academic road.

It may not all be a sex-substitute, but there is still plenty of life in gardeners' rivalries and motivations far into the next century and I do recommend this well-aimed addition to our understanding of our predecessors down the garden path.

■ *Eminent Gardeners by Jane Brown is published by Penguin. Price £14.99*



Super tanker with a thirst for fuel: the Rolls Royce Silver Spirit II costs £91,175 and does 13.4 miles to a gallon

Myth of the Silver Spirit

***Stuart Marshall** polishes his shoes, adjusts his tie and slides into a Rolls-Royce*

THE SLOGAN could not have been bolder, simpler or better known: Rolls-Royce – The Best Car in the World. I am not sure that it was ever true and it certainly isn't today. However, there is still *nothing* quite like a Rolls-Royce.

I have lost count of the number of cars I have driven. It must run into many hundreds – from Fiat 500s to Ferrari Testarossas, Minis to Mercedes 600. Yet it is only when I slide on to the leather throne of a Rolls-Royce's driving seat and look along the bonnet at the naked lady (forgive me, the Spirit of Ecstasy) that I hope my tie is straight and my shoes brightly polished. Driving one is still an experience. And it is not just because the least expensive Silver Spirit II costs £91,175. There are costlier cars, though, I admit, not many.

When Bugatti designed his monstrous masterpiece, the Royale, he is supposed to have said it would only be sold to people listed in that pre-war social register of Europe's blue blood, the *Almanach de Gotha*. Rolls-Royce never said you could not have one of its cars unless you were in *Burke's Peerage* or even *Who's Who*. But one felt that it was always taken for granted that you probably were.

In the good old days Rolls-Royces (never "Rollers", please, though one is allowed to talk about one's "Royce") were bought with old money. Not any more. I still have not quite got over the shock of going into Hooper's coachworks and seeing a purple Corniche with a window sticker saying: "You need a lot of bread to own a Rolls." You do. A Corniche is £144,595, *without* any extras such as a cigar humidor or a document case veneered to match the fascia.

Today, Rolls-Royce Motor Cars Limited (even the company name has an agreeable sonority) concedes that – financially at any rate – Jack is as good as his master. Or at least, his money is, and that is what really counts.

Rolls-Royce owners now include metal recyclers (scrap dealers to you and me) and pop guitarists as well as Swiss bankers, Texas oil millionaires and – let us not forget – Her Majesty the Queen. So it has become a classless car among the seriously rich, as the Mini did among the lower orders.

I hope I do not sound too cynical because actually I loved driving a Silver Spirit II for a few days, including a trip to Birmingham and back for the motor show. It started well. When I drove to a restaurant for an official lunch, the door-keeper leaped to attention and instantly agreed to "lose" the car for me while I ate. When I returned, there it was, still out front, surrounded by "no parking" notices.

The fiver tip was good value. On a meter – if I could have found one – I would have spent more. Maybe I should have made the tip a tenner. Could I have scored with anything but a Rolls Royce? I doubt it. Perhaps with a Bentley or Aston Martin. With even the grandest Granada or Senator, never.

One does not so much drive a Rolls-Royce as progress in it with a degree of style no other car can provide. Which is not to say that it is better all-round than lowlier kinds of luxury cars, for a Rolls-Royce has shortcomings. The heavy doors certainly don't close with the expected fingertip touch. The massive 6.8 litre V8 is never silent. At a certain engine speed (I thought about 2,000 rpm), gentle acceleration produced a resonant boom sounding like a distant foghorn.

A Silver Spirit II gets away from the lights smartly enough to convince reps in Cavaliers and Sierras that if they had a go, they would be humiliated. On the motorway at the tolerated 80 mph, it is at its best. Wind and road noise cancel out the engine's hum. In the air conditioned, Connolly hide scented interior, the outside world seems as remote as it does in a London club.

Off the motorway, the tranquility is marred by considerable tyre thump. A senior management passenger expressed surprise that his chauffeur-driven Jaguar was much more comfortable to ride in than the Rolls-Royce.

The ultra-light steering, with minimal feedback from the road, and the foot parking brake, released by putting the transmission into drive or reverse, leave one in no doubt that the US is Rolls-Royce's most important market.

In spite of its size – parking it at my local Sainsbury's was like docking a tanker – the interior is not that spacious. This is partly because the front seat backrests are so thick. (And the seats, incidentally, are so flat they offer no support when cornering). Nor is the boot as big as one expects; it is wide, but shallow.

An ergonomist would tear his hair at the sight of the fascia, with switches and dials dotted about apparently at random among four huge eyeball outlets for conditioned air. But the wood veneer in which they are set is superb: Chippendale or Sheraton could have done no better.

The elderly 3-speed automatic transmission is very smooth and the anti-lock brakes extremely powerful. You feel they are working hard to slow down 2.5 tonnes of motor car if you have suddenly to reduce speed.

Handling can be of little importance to the typical Rolls-Royce owner who, as likely as not, will have been weaned on Cadillacs. The Silver Spirit II rolls considerably if you push it round corners but that is hardly the way it is going to be driven.

If you want Rolls-Royce exclusivity plus much better handling you must go for the £109,000 Bentley Turbo R (the R stands for roadholding). It has wider wheels, fatter tyres, stiffer suspension, sharper steering and more power – *much* more power. You pay a price in ride harshness but, if you feel such things are important, a Turbo R will out-drag almost any other big saloon car from 0-60 mph (0-96 kmh).

The saying goes that if you ask about a Rolls-Royce's fuel consumption, you cannot afford one. What really matters is how far you go to a tankful. Driving home from Birmingham the low fuel warning light started *flashing* with only 240 miles on the trip indicator. It took 17.9 gallons (81.4 litres) of unleaded and £38.99 – it would be a lot more today – to brim the tank. That is 13.4 miles per gallon (21.1 l/100km). With that kind of thirst, a Rolls-Royce wins no prizes for fuel efficiency or environmental friendliness.

The Rolls-Royce, in spite of genuflections to modernity (an electronic ride control system, ABS brakes, heated and power adjusted seats and mirrors) seems stuck in a time warp. It is rooted in the days when men wore bowlers to the City and rode in Lock caps, tweed hacking jackets and flared breeches at the weekend; when afternoon tea really was taken with cucumber sandwiches; and when petrol simply came out of the pump and no-one had heard of the greenhouse effect.

Can the 2.5 tonne, gas-guzzling Rolls-Royce hope to live on into the green 21st century? I guess so, though its technology is outclassed by cars like Toyota's swift and truly sepulchral Lexus. It will be put even further in the shade when the new Mercedes S-Class with a 6-litre V12 engine goes on sale in the middle of next year.

In a way, nostalgia, plus a desire to make a public demonstration of personal wealth, may be important factors in assuring the Rolls-Royce's survival. Do not forget that people pay a lot of money to travel on the Orient Express. Its exquisitely panelled Pullman cars with silk-shaded table lamps are like a Rolls Royce; luxurious but out of date.

The traditional planting season

***Arthur Hellyer** with some tips on moving trees and shrubs*

WE HAVE arrived at the traditional planting season for trees, shrubs, roses and herbaceous perennials. If you are moving these plants from one part of the garden to another now is the sensible period for doing that. It is the natural period of dormancy or, if not a complete cessation of growth, at least a slowing down.

The planting season extends from late October until the end of March but with time out in December and January if the weather becomes really cold or the soil is so wet that it is impossible to break it up nicely and work it around and between roots.

For evergreens it was customary to concentrate planting as far as possible in the early and late parts of this period or even to extend it a little into early October and mid-April on the theory that, since evergreens never become dormant and are often sensitive to cold, it was wise to move them at a time when they could re-establish themselves rapidly.

To overcome the difficulty that air temperatures would be higher at these periods – and that therefore loss of water from the leaves would be greater – it was recommended that the newly-planted evergreens should be protected from drying winds with screens of some kind, maybe nothing more elaborate than sacking or a few evergreen branches stuck into the ground around them. It was also advised that evergreens should be lifted with a considerable amount of soil around their roots and that this should be wrapped in sacking, a process known as balling, to keep the soil in place, if the plants had to be transported for any distance.

All this makes a great deal of sense and there are still plenty of nurseries from which plants grown in the open ground can be purchased, often at a lower price than comparable plants grown in containers and almost certainly with more extensive root systems spreading outwards in a natural manner and not tightly wrapped around each other as they nearly always are in a container. It can be quite difficult to coax roots out of these tight container soil balls especially if the compost is mainly peat and so totally different in texture from that of the garden soil to which they will have to accustom themselves.

Many herbaceous plants can be split as they are transplanted. The vigorous kinds, especially daisy flower perennials such as Michaelmas daisies, shastta daisies, erigerons, heleniums and sunflowers, often starve out the centre of the plant by the sheer exuberance of their outside growth. Then the worn out centres should be discarded and only the young and vigorous outer parts of each clump should be retained. When this is to be done, there is something to be said for leaving it until March when growth will be about to restart or maybe has already done so, since not all herbaceous plants respond well to autumn division. Certainly delphiniums do not like it much and may suffer badly from slug and snail damage while lying only partly re-established in the soil. The caucasian scabious is another perennial strictly for spring planting.

It is much easier to transplant from one part of the garden to another than it is from nursery to garden because the period when the plant is out of the soil can be so much shorter and the amount of soil brought with it much greater. With the aid of a strong sack truck, it is possible to trundle quite large shrubs and even small trees from one place to another with good balls of soil around the roots.

If the planting holes are prepared in advance the plants need only be out of the ground for few minutes and there will be little likelihood of roots becoming dry. The way to ensure success is to prepare a planting mix of garden soil plus a generous quantity of peat or leaf mould and a sprinkling of bone meal or John Innes Base Fertiliser.

Make a hole wide enough to take all the roots fully spread out and sufficiently deep to ensure that all are adequately covered. Scatter some of the planting mix over, under and between the roots before returning the displaced soil. It used to be recommended that all soil should be firmly trodden down or even rammed in with a piece of wood but I have come to the conclusion that it is easy to overdo this. By all means make the soil firm – but not hard.

Trees and shrubs can be protected against wind disturbance by secure staking or, for big specimens, by guy-ropes which are unsightly but can be removed once the plants have taken hold of the soil. They will do this quite quickly if conditions are right.

CHESS

GARY KASPAROV can hardly have wished for a better start to his world title defence against Anatoly Karpov, which began last week at the Hudson Hotel in midtown Manhattan. After a draw in game one, Kasparov took the lead in brilliant style, while Karpov took an early postponement.

Game two followed a pattern which Karpov has used many times before with the black pieces, most recently in the candidates final against Jan Timman. They rattled out 18 moves of book in a brisk 15 minutes, then Kasparov produced his novelty, a buttress of his central pawn wedge prior to flank attacks.

Karpov immediately made a dubious response which put his queen offside while his forces lacked co-ordination. Kasparov responded by a rapid offensive build-up followed by a startling sacrifice of bishop and knight for rook which dominated the central files.

Grandmasters continued to debate the correctness of Kasparov's imaginative idea. The long-time US No 1 Yasser Seirawan bet $80 that Karpov would win. From move 33 onwards Kasparov opened up fresh lines by a dynamic central pawn advance, while Karpov was down to a couple of minutes to reach the move 40 time control. By the time he did, his game was in ruins. Kasparov regained the lost material with interest, the Karpovian king was wide open to attack.

When Karpov resigned, a capacity audience of 700 gave a standing ovation for one of the best games ever in a title match. This heavy defeat shattered the challenger, who postponed next day's third game, an unprecedentedly early stage for one of his time-outs.

Even this simple act proved hazardous. The letter to the referee could not be delivered by the deadline so Karpov's aide, the Hungarian grandmaster Portisch who is an amateur singer, had to establish his identity over the phone by warbling a Schubert song.

The latest Fide world rankings issued in July 1990 give Kasparov 2,800 rating points, Karpov 2,730. According to the statistical theories of the system's originator, Professor Arpad E Elo, this means that the higher rated player should score 60 per cent over a long series of games. In terms of the best-of-24 required by world title regulations, Kasparov should win 12½-8½. He also retains his championship in the event of a 12-12 tie, so even at this early stage Karpov's chances look slim.

White: G. Kasparov.
Black: A. Karpov.
Ruy Lopez (2nd match game, New York 1990).

1 e4 e5 2 Nf3 Nc6 3 Bb5 a6 4 Ba4 Nf6 5 O-O Be7 6 Re1 b5 7 Bb3 d6 8 c3 O-O 9 h3 Bb7 10 d4 Re8 11 Nbd2 Bf8 12 a4 h6 13 Bc2 exd4 14 cxd4 Nb4 15 Bb1 bxa4 16 Rxa4 a5 17 Ra3 Ra6.

The point of Karpov's system is that Black's pieces are on active squares, discouraging a white king's side attack. Now Timman v Karpov, 1st game, blundered by 18 Nh4? Nxe4 while in Timman v Karpov, 5th game, 18 Rae3 a4 19 Nh4 c5 gave Black central counterplay.

18 Nh2 g6 19 f3!

At last out of the book. In two earlier games Karpov's opponents went 19 Ng4 (too routine) and 19 f4 (too sharp) while Kasparov's move strengthens his centre prior to attacking the isolated a5 pawn. Karpov's reply is artificial, misplacing his queen; a critical line is 19...Bg7 20 Nc4 Qa8 planning a counter by d5 and c5, or if 21 d5 c6.

19...Qd7? 20 Nc4 Qb5 21 Rc3 Bc8 22 Be3 Kh7 23 Qc1 c6.

Another weakness, to counter the threat 24 Na3 and 25 Rxc7.

24 Ng4 Ng8.

If Nxg4 25 hxg4 with g3, Kg2, Rh1 and a strong attack against the h6 pawn.

25 Bxh6!

A typical Kasparov sacrifice, a brilliant mix of foresight and intuition. Karpov may well have encouraged it on the mistaken assumption that the forced continuation till move 29 was defensible.

25...Bxh6 26 Nxh6 Nxh6 27 Nxd6 Qb6 28 Nxe8 Qxd4+ 29 Kh1 Qd8 30 Rd1 Qxe8 31 Qg5!

Preparing a rook invasion followed by decisive advance of the f3 pawn to open up the black king.

31...Ra7 32 Rd8 Qe6 33 f4 Ba6.

If 33...f5 to block White's f pawn 34 Re3! threatens 35 exf5 Qxe3 36 Qxg6 mate or 34...Nf7 35 exf5 Nxg5 36 fxe6.

34 f5 Qe7 35 Qd2! Qe5.

Here 35...Nd5 attacking both rooks fails to 36 Rh8+! Kxh8 37 Qxh6+ Kg8 38 exd5 Qe1+ 39 Kh2 Qxb1 40 f6 and mates.

36 Qf2 Qe7.

Another hidden tactic is 36...Rc7 37 Rc5 Qe7 38 Qd4 Ng8 39 Re5 Qf6 40 Rxg8! Kxg8 41 Re8+ Kg7 42 Rg8+ winning Black's queen.

37 Qd4 Ng8 38 e5! Nd5.

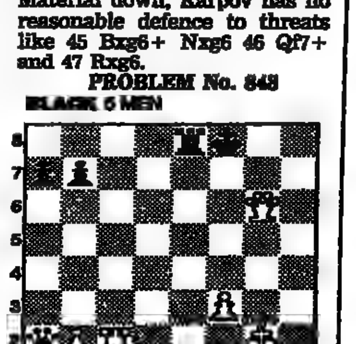
With the entry of White's b1 bishop into the attack, the game is decided. Karpov in his time trouble may have missed White's 43rd.

39 fxg6+ fxg6 40 Rxc6 Qxd8 41 Qxa7+ Nde7 42 Rxa6 Qd1+ 43 Qg1 Qd2 44 Qf1 Resigns.

Material down, Karpov has no reasonable defence to threats like 45 Bxg6+ Nxg6 46 Qf7+ and 47 Rxg6.

PROBLEM No. 848

BLACK 5 MEN



WHITE 5 MEN

Bent Larsen (Denmark) v. Daniel King (UK), Watson, Farley & Williams international, New York 1990. Former world title semi-finalist won the tournament to complete a clean sweep of three Watson, Farley & Williams events, two in London and one in New York.

Scoring in apparently drawn queen and rook endgames is a Larsen speciality. Here material is level and Larsen (White, to play) looks about to settle for a draw. How did he force a quick win?

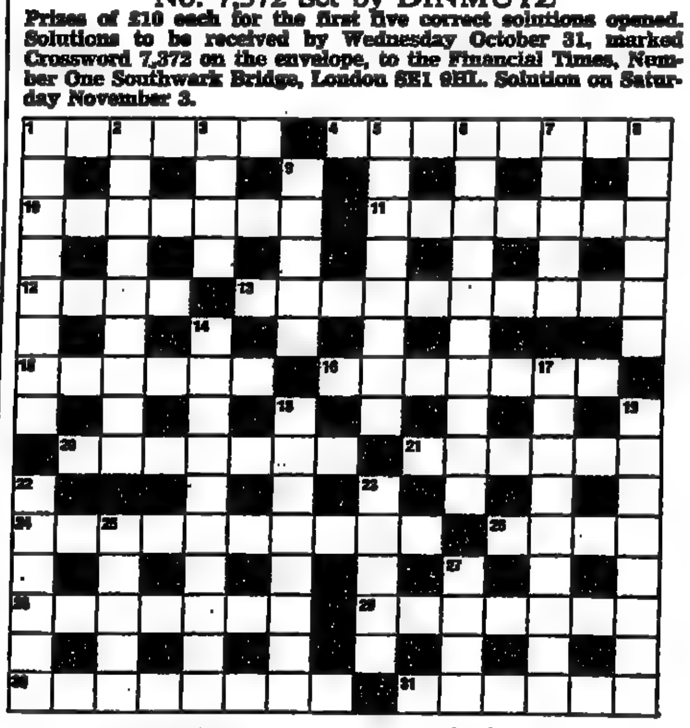
Solution Page XIX

Leonard Barden

CROSSWORD

No. 7,372 Set by DINMUTZ

Prizes of £10 each for the first five correct solutions opened. Solutions to be received by Wednesday October 31, marked Crossword 7,372 on the envelope, to the Financial Times, Number One Southwark Bridge, London SE1 9HL. Solution on Saturday November 3.



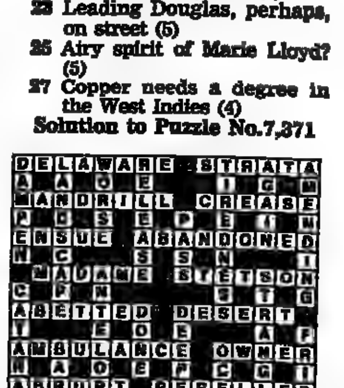
ACROSS

1 Tree widely favoured with a bend in the middle? (6)
4 Central parts sodden and unkind, according to Belloc (8)
10 Below par, having been in road accident (3,4)
11 "Long time no see" – such a bishop? (7)
12 Some bananas from palm (4)
13 Bearing a soft fruit can upset English (10)
15 Funny man gives half a turn.... (6)
16 .... in film or portrait (7)
20 Dreamy, beyond the horizon (7)
21 Joyce's young man? (6)
24 Garibaldi as the main course? (3-7)
26 Nervous cough with an edge (4)
28 This house could be deficient, without the National Trust (7)
29 Space vehicle of ply? (7)
30 Standard film of controversialist (8)
31 Daughter has point of view to hold out enticingly (6)

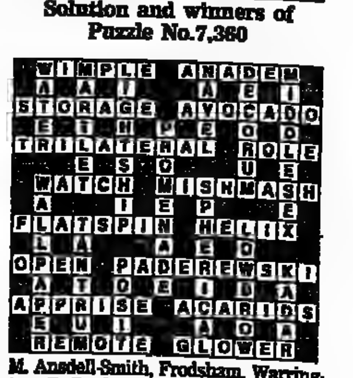
DOWN

1 Ship's light, left with space below (8)
2 Paul's nine trips in Iberia, for example (9)
3 County star making a comeback (4)
5 Game like this needs lots of pluck (8)
6 All available brochures of Reading? (10)
7 A yarn of two cities, abridged (5)
8 Shut out of cinema (6)
9 Bird to pick off from cover (5)
14 Time-saving could be the policy of the opposition (10)
17 The cigars having been put out, the building burned down (9)
18 Large organ, god of pipes cares about? (8)
19 Stock charge (8)
22 Having crashed out, please put back the pieces (6)
23 Leading Douglas, perhaps, on street (5)
25 Airy spirit of Marie Lloyd? (5)
27 Copper needs a degree in the West Indies (4)

Solution to Puzzle No.7,371



Solution and winners of Puzzle No.7,380



M. Ansdell-Smith, Frodsham, Warrington; P. Duckworth, Aberporth, Dyfed; M.J. Mercer, St Just, Cornwall; Lucy Norgate, Halifax, Yorkshire; Mrs Townend-Dyson, Nicosia, Cyprus.

TRAVEL

They have the technology in Keystone, Colorado

The US, which has invested heavily in snow-making equipment, looks like the safest bet for skiers, says ***Arnold Wilson***

THE AMERICANS were always good with guns, but the ones that do the talking in Keystone, Colorado, are snowguns. The people who run Keystone have their entire mountain covered with them, which is why they are the envy of some European ski resorts that still do not have a gun in sight.

For this reason, Keystone will almost certainly be the first US resort to open for skiing this season – remarkably, in less than a week's time. Keystone has the technology to cover its entire mountain in artificial snow by then, although it may not need to. Two weeks ago the first real snow of the winter arrived, and by Thanksgiving Day – the last Thursday in November – most of the rest of America's ski resorts will hope to have opened for business. They, too, have been investing for some years in extensive snow-making equipment.

By Thanksgiving Day there may also be some clues as to whether Europe will be able to follow suit, or whether it is likely to witness yet another snow drought, which would send a big shiver through the skiing industry.

Hope, like snow, no longer springs eternal: it is going to be an unbearably nervous start to the season. So far skiers seem to be hedging their bets, always assuming they had enough money to gamble with in the first place. Prices are up and bookings down – by about a third on this time last year. Bookings for the US, which is waiting like a vulture to cash in on another snowless start to the European season, are holding their own.

The British invasion of the US ski slopes can no longer be written off as a flash in the pan. This week it was reported that the British have bought 26 condominiums worth $2.5m (£1.27m) in Summit County alone – 23 of these sales, to private individuals, are in Breckenridge, the resort that has captured the British imagination.

In Europe there are no simple answers, or forecasts. Last winter everyone trotted out the usual advice – aim high. But it proved to be a mixed blessing. France, which tends to have higher resorts, did not fare well in the early weeks. Even resorts like Val d'Isère were struggling. Yet Austria, where resorts tend to be low, did rather better. This winter – who knows?

The French resorts have certainly responded to last winter's disasters in dramatic manner. Eight of them, including Les Arcs, Meribel, La Plagne and Val d'Isère, are offering money-back guarantees if more than three-quarters of their lifts are not functioning. Almost 70 French resorts have now installed snow-making equipment, covering 1,750 acres of pistes, and some tour operators have started to list resorts with snow-making facilities.

But even snow-guns have their critics, who claim they can give skiers a false sense of security. They could find themselves skiing on a handful of runs kept open purely by artificial snow and thus endure poor skiing and forfeit any compensation under snow guarantee schemes. Snow guarantees are far from being the complete answer to the problem, alleviating the symptoms but not tackling the cause. Nobody really wants £25 or £30 a day to compensate them for being unable to ski. They would much rather ski.

Some operators seem to be living dangerously by allowing clients to cancel skiing holidays up to two or three days before departure if there is patently not enough snow in the resort of their choice. But the operators are not stupid. They have insured themselves.

The most sensible advice seems to be: ski in March or even April. But even then there can be snags. Last season there was plenty of snow later in the season, but it was often accompanied by fierce storms and the danger of avalanches.

The main alternative to Europe is America, especially for those who have not the time to risk being mucked about by capricious weather and have the money to do something about it. For them, the criteria are quite simple: they want a straightforward, decent ski holiday without anxieties.

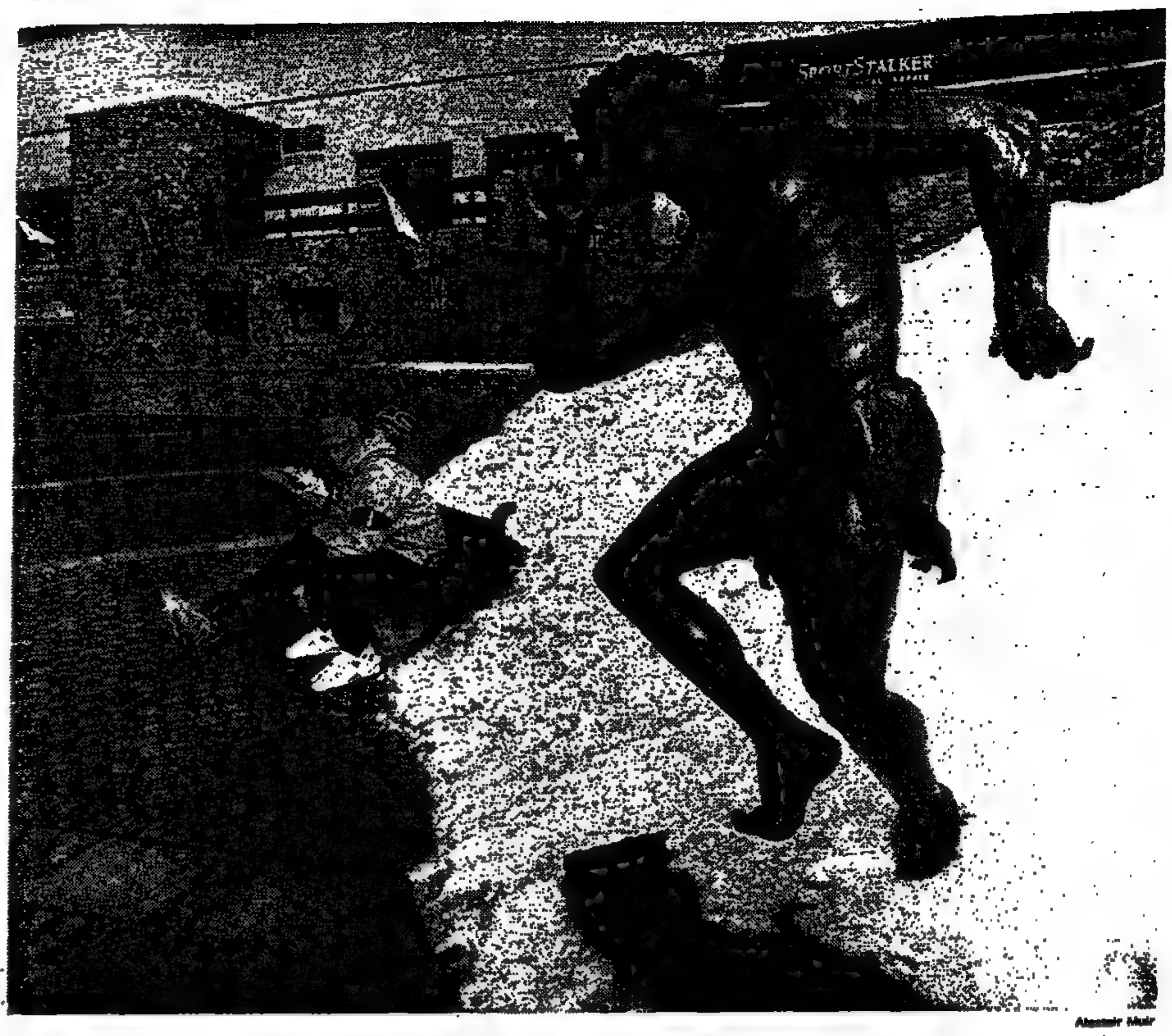
Last year I skied in 22 North American resorts between mid-December and the start of April. Even though some of the resorts suffered poor snow, I skied quite contentedly on every day that I wished.

In December, Lake Tahoe was "short of snow" but Heavenly Valley just switched on its vast array of snow guns and kept them on. Result: perfectly adequate skiing. In early February, Sun Valley, Idaho, also complained of poor snow. But every single run was open, even though one or two of the bowls were a little thin on top. Later in the month, Telluride, Colorado, was experiencing its worst snow since opening in 1972. Some of the better runs, like Spiral Staircase and The Plunge, were closed, but only because the snow cover was insufficient to cope with thousands of skiers.

I was fortunate to be allowed to ski these runs with a ski-host, and they were excellent – in far better condition than some of the threadbare slopes I encountered in Europe. In the US the snow threshold at which trails are closed seems to be lower than in Europe. When I returned to Lake Tahoe in February, they had just had 7 feet of snow in three days. Heavenly Valley was heavenly again and Squaw Valley had all but disappeared under deep snow.

In Wyoming, Jackson Hole had only modest snow this year, but during each of my three visits, in February and at the beginning of April, there was still plenty of skiing. In fact in April, when the heat of the Wyoming spring sun was fast undermining some of the snow, there was still wonderful back-country spring skiing to be had in several areas not normally skiable in the depths of winter. The Four Pines area was in good condition and The Headwall provided half-an-hour or so of exquisite spring skiing.

Every British skier who went to the Rockies last winter was able to ski in snow that was – at the very least – adequate. And this was in a poor snow year. The same cannot be said for skiers who went to the Alps. That is the crucial difference between a bad year in Europe and a bad year in the US. Barring a meteorological aberration of epic proportions in the Rockies, the US still looks like the safest bet this winter.



Alastair Muir

Not quite dressed for the season: Beaver Creek, Colorado

Real France: you can't beat a gîte

MONSIEUR AND Madame Oscar Carrere came rushing down the track towards us. Urgently they ushered us in to their kitchen and put a range of cold drinks on the table.

M. Carrere pointed to the thermometer which had registered 42°C (107.5°F) that afternoon – the day we chose to arrive in our gîte near Orthez, the former capital of the Béarn, in Pyrenees-Atlantique.

In the curious, lilting accent of the region, he said he had never known it hotter and gave us advice on dealing with the weather – the main thrust of which was "stay indoors."

Drinks consumed, and the courtesies of introductions over, we were shown our home for the next fortnight – a house directly in front of M. Carrere's, with ancient, cracked red floor tiles, a fireplace you could stand up in and its very own mouse.

Booking a gîte is a bit like having a pot luck supper. A gîte may be a small cottage, a village house, a flat in a farmhouse or an apartment in a chalet or manor. Although gîtes are rated in three classes, with one to three ears of corn as the grading symbol, it may be that a two-ear gîte in one area is better than one with three in another.

In all gîtes belonging to the *Fédération Nationale des Gîtes Ruraux de France (Gîtes de France)*, the accommodation is simple but adequate. It is always self-catering.

If you dislike staying in hotels for longish periods, you should try gîtes. They offer an insight into French rural life which few hotel holidays afford.

They are not necessarily peaceful holidays, and you may find that the noise of pigs grunting, cocks crowing and cattle belching – usually at 6am – is more distressing than, say, the distant rumble of the North Circular Road.

You would have to be very unlucky to find a French gîte owner who is less than helpful. The Carreres were a delight: stopping to chat, giving advice on what to do and see in their locality but never behaving intrusively. They put fresh flowers in the house and gave us home-grown tomatoes. They also declined the FFr 500 caution or deposit which is normally required on arrival and refunded on departure.

This month Gîtes de France publishes its new handbook of holiday homes. There are 2,500 available for 1991 in 79 *départements* and 300 of them are new with three new *départements* included: Yonne (Burgundy), Lot et Garonne (Aquitaine) and Rhône (Rhône-Loire).

The best gîtes are *always* taken early so you should book now if you want the pick of accommodation, particularly if you have to holiday during July or August. Unless you have a ferry concession, it is probably better to book a gîte-ferry package.

In addition to existing services, Sealink will be operating the following routes in 1991: Dover-Calais, Folkestone-Boulogne, Newhaven-Dieppe, Harwich-Hook of Holland, Southhampton-Cherbourg.

■ Information: The Gîtes De France membership fee covering October 1990-September 1991 is £3, for which you get the gîtes handbook and access to the booking service. You can book by post or phone on (London) 071-493-3480 or 071-408-1343. Gîtes de France, 178 Piccadilly, London, W1V 9DB. The handbook will be available from travel agents from today.

Jill James

The smart set heads north

***Michael Wigan** describes Norway's fabled salmon run*

FOUR travel-weary British fishermen stood alone at Trondheim airport. A fishing outfitter strode energetically up to us and introduced a small broad man with eagle-like eyes as our fishing guide (ghillie). "The world casting champion," he pronounced. "I'm sure you are in good hands."

I realised I was in the wrong outfit when my own outfitter bounced out of another cross-country vehicle. Not to worry: our guide, too, was a champion. His face had beamed from our fishing magazines recently as the man who caught the world record sea-trout. I felt duly awed.

In Norway they are keen on fishing records, which is understandable, considering the strength of the Atlantic salmon run up their fjords and rivers. Norway is the salmon fishing venue that the British discovered a century ago and moulded in their own fly-angling image. For years the best beats on the best rivers were monopolised by the British, who built fishing lodges, some surviving, to rest in before the next assault on the water. They forged fishing traditions which exert an unshakeable hold on our notions of how to get enjoyment from salmon in a river.

A fishing scene, like any other recreation intensely enjoyed, has its own atmosphere, and different famous fishing places have identifiably different atmospheres, as do individual beats. The atmosphere on the Argard in northern Norway on May 31 was tense, expectant and serious. The salmon season on most Norwegian rivers opens at midnight at the start of June. A reindeer and seafood repast was consumed hastily by the party that was to christen the Argard that night. When we drove to the river more cars were waiting, camp had been struck, and local men were taking up strategic positions in the river. We were still scrambling upriver to our pool in the twilit boreal light when a gun went off and flylines flicked into action.

No sooner had we arrived on our stream than one of the men opposite had a silver salmon splashing around his feet, another man trying to grab it on the stones. I was propelled urgently towards the water, paying out line as I went. The first fish of the season was being excitedly reported into walkie-talkies up and down the river. I, too, was to enjoy my moment of glory, catcher of the second fish of the season, reported that very night on Norwegian national news.

After this achievement, we all repaired to the campsite where a logfire was glowing and bearded men in round homburgs were serving champagne, rum and anonymous bottles of colourless liquid, home-produced and taken in coffee. Cries of triumph could be heard from the gloaming as more fishermen struck into the silver harvest.

Being far north towards latitude 65, the salmon run telescopes into a shorter season than on British rivers. The Argard run bulks up substantially by mid-June, and the fishing season is only 13 weeks. Cranking in ferruginous old fish that have been vegetating in peaty riverbottom caverns all summer – a run-of-the-mill British fishing experience – is not an option here. The individual runs of fish with which the British are familiar blend into each other, massing in the pools to facilitate some boggling catches.

In its two fishing miles the Argard's dozen or so fishing weeks produce some 3,000 fish caught on the rod. A mere 12-15 rods are involved. As Norway has now stopped drift-netting, the figures might be expected to rise, and on the neighbouring Namsen river, famous for its big fish, they have already doubled.

There is a pool on the Argard about two miles from tidal water at the first forking tributary where 1,000 fish are caught each season. For a modest-looking stretch of water no more than 60 yards long, and not wide, this statistic is thought-provoking. No pool I know of can compare. "A good place for bad fishermen," as our host expressed it.

The Argard will do wonders for jaded palates. It is a wilderness river, made more interesting for fishermen by the jumble of big rocks that create resting places for salmon, and nicely protected down the banks by sloping rock and a tangle of willowscrub backing on to the mantle of jack-pines which thins out under rocky bluffs. Moose occasionally materialise out of the undergrowth and stand meditatively at the river edge. The air is filled with the cadences of migratory thrushes, and sea eagles and gyr falcons hunt the upper air. The water flow has been neatly arranged by nature to favour movement of a fishing fly, and the colour is beautiful, richly clear with a lion-yellow tinge.

Great rivers need grandeur, and just north of Argard the same outfitter, Johan Abelsson, has picked out the fly-fishing hotspots on the river Namsen, a name known to all men trained in salmon lore. The Namsen is spectacular and huge, the swishing of its coiling, slurping riffles almost sinister in the suggestion of strength and power. Last year the first casualty of the season was not a salmon at all but a German fisherman boating too near the lip of the first falls.

Fishermen on the Namsen are disquieted and distracted. We found strained faces in an untidy room like quarters under siege, gobbling their spaghetti to get back into the fray. Tackling up means handling rods like bits of scaffolding and hooks and flies like grappling irons. Namsen salmon can knock fishermen around; one had towed a boat two miles before succumbing. When I was there the average weight being landed was 25lbs.

I inspected a fish the size of a small pig, in a hotel freezer, weighing 46lbs and caught the day before. I inspected, too, the pool on Gartland beat, where later in July, when the water is lower, fishermen can pit their reflexes and tacklemaker's boasts against fish of more than 50lbs. The pool sucks round a small cliff and revolves in a giant wheel of water below with dark promise. Here, again, the British established a toehold long ago, and fought these leviathans on fly-rods.

For a while, Norway's salmon fishing has been in the doldrums. The drift-net ban will change this. Fishermen there are fanatically keen and river management a national priority: there is even a national fund for river-bank maintenance. River ownership is refreshing. The man who owns the Argard, in its entirety, spends the winter working in the woods. Estate agents? Forget it: Norwegian law prevents the owner selling his fishing rights as an entity on their own. This is in accordance with the logic of integrated habitat management, on land and on water.

Dams to hold midsummer water, fish counters, smolt reintroductions – the things the British haver about – are already in place. It is time to revisit our forefathers' hunting grounds, before every slot is booked for years to come.

■ Norway is featured in a new brochure of fishing holidays produced by the sport and adventure division of tour operator Abercrombie & Kent, of Sloane Square House, Holbein Place, London SW1W 8NS, tel: 071-730-9600, fax: 071-730-9376. For example, an A&K holiday on the Namsen in June-August 1991 (6.5 days' fishing; return economy flight; lodge/hotel accommodation; fishing and guiding services, etc) will cost approximately £2,400.

The new brochure features Russia, South Africa, the Bahamas and Norway for the first time. John Inglis and John Goddard will lead a series of escorted tours in search of the bonefish of Christmas Island, the chinook salmon of Alaska and billfish off the Kenyan coast. Says A&K: "South Africa is one of the world's best kept trout fishing secrets, with a great variety of fishing from the rivers of the Western Cape to the streams of the Eastern Transvaal." Prices: £3,500 for 10 nights.

Other A&K prices: Russia, from about £2,000 per week; the Bahamas: £2,200 for 6 days' fishing; Madeira: £920 for a week; Kenya (Malindi): £1,200 for 7 nights; Alaska: £3,500 for 7 nights. Other fishy destinations include South America, Montana, the Falkland Islands, Kashmir and Mexico.

An off-the-cuff journey in the Indian winter

***David Housego** on the joys and perils of taking his family on an unplanned holiday across the sub-continent*

THERE ARE two schools of thought on travelling in India during the winter months when the number of tourists is greatest, aeroplanes most delayed and hotel bookings least certain. There is the leave-it-to chance-school which believes that philosophically this is the way to approach India and that in any case it gives you the leeway to dally where you want. The other school puts its faith in trying to minimise the hassle of India by as much detailed planning as possible.

Unfortunately, my family is divided between the two. I am a leave-it-to-chance traveller. My wife prefers to know where we are going and where we will stay.

Our children shift between the two depending on how the tide of victory or disaster swings between the camps. For our first holiday in India since coming to live here almost two years ago, we went to Kerala.

By late November, when we made our final decision, we were told that all the hotels in Trivandrum – and more particularly at nearby Kovalam beach, where we intended to begin – were full.

We thus started off with four air tickets and nothing else. (A point worth adding is that Indian Airlines always keeps back a substantial number of tickets until the last moment. How to obtain a place on that quota is a challenge that faces every traveller in India).

The flight was due to leave at 6 am (or thereabouts), so we crawled out of bed at four. When we got to the airport we were told the departure had been delayed until 10.

To cut the story short we finally left at 3 pm and arrived in Trivandrum after dark. The town was decked out in portraits of Marx, Stalin and Engels to mark the 13th party congress of one of India's communist parties.

Leaving the airport we found ourselves in a motor-cavalcade headed by Sir David Goodall, the British High Commissioner in New Delhi, his family and security escort. At one moment they turned off the road while we continued to the Kovalam Beach Hotel, the best located in Kovalam.

There the front office manager told me that the only room they had available was a suite reserved for the British High Commissioner. I was able to give him the good news that Sir David and his party had headed off in another direction. We thus took the suite.

Sir David afterwards told me that his office had failed to get a confirmation from the Kovalam Beach which was why they were staying elsewhere. It was a triumphant start for the "leave-it-to-chance school."

For the rest of the holiday luck continued on our side. We found rooms vacant at the Lake Palace hotel within the Periyar game reserve, though if we had arrived the night before we would have been pushed out by a party of British MPs.

The Lake Palace, a former hunting lodge, is the only accommodation that is fully within the park and staying there transforms the visit.

We found a small hotel on the Kerala backwaters that had once been a planter's house, and in Cochin we squeezed into the Taj Malabar, which is worth it for the dramatic views across the harbour.

Other holidays – I like to tell myself – have also shown the limitations of planning. Last Christmas we wanted to go to Karnataka to see Mysore, Seringapatnam, the Hoysala period Hindu temples and, most of all, Hampi, the now-deserted capital of the Vijayanagar Empire and one of the most extraordinary sites in India.

This time our numbers had grown to eight. My wife insisted we must book. The only reservations we succeeded in making were for three nights at Bangalore.

At Seringapatnam, Tipu Sultan's capital (it was demolished by the British), we found ourselves sleeping outside the walls on the floor of a government guest house that we got into with the help of the local public works department.

The consolation was that we were on the banks of the Cauvery river that once formed a moat before Seringapatnam. The following night we shifted to the hotel next door.

At Hassan we obtained four rooms in the Ashok hotel that we had been told was completely booked for two months. As unexpected rain kept most people away from the New Year's Eve festivities in the garden, we found ourselves implausibly awarded the trophy for the best couple on the floor – an award I relish all the more for being a bad dancer.

We had argued among ourselves on the merits of going to Hampi by car (an eight-hour drive from Bangalore) or by train on the basis of misleading information. We had been told at Bangalore station that there was an overnight train to Hampi but no overnight return.

It turned out at Hospet (the closest station to Bangalore) that you can travel by overnight sleeper both ways.

At Hampi we wrongly succumbed to the option involving minimum effort.

There is still no hotel close to the ruins of Vijayanagar – a site of such richness and charm that you need at least two days to see it – but with luck you can find a room in a government guest house nearby. Instead of pushing for this we stayed in a noisy, nondescript new hotel in the centre of Hospet which we hurried to escape from each day as fast as possible.

We have had some planned holidays – it has to be admitted – that have been a success. The most memorable was a week in Kashmir staying at Mr Butt's Clermont Houseboats on Lake Nagin combined with a few days' trekking. For the trek Mr Butt had organised 12 horses, a cook and bearer. Nothing went wrong. But that was before the recent troubles exploded in the state.

The moral of all this is that India is probably not the place to come to if you cannot bear holiday arrangements going wrong. Also, do not let your travel agent give you too crowded a programme. The more time you have to spare and thus to loiter in places you like, the more enjoyable it is. But if you have the nerve to join the "leave it to chance school," then welcome to the flock.

And the sauna cost nothing

***Kevin Goldstein-Jackson** on a coach tour of Europe*

I HAVE visited China and the jungles of Paraguay, shot rapids in the Philippines and endured the desert places of Oman. But I have recently completed the toughest trip of them all. It began early one hot Monday morning as a group of people of all shapes and nationalities crowded, confused, around some unmarked coaches. Which were the coaches for the docks?

"Are you getting on or off" snapped a surly young man to a timid-looking Japanese who had tentatively placed one foot on the doorstep of a coach. Polite requests for information from several of the drivers were met with rude replies. "Bloody foreigners!" snarled one coach driver to another. "Where are you going to dump your lot?"

My two young daughters, Kimberley (aged five) and Sing Yu (eight) clambered aboard a coach with my wife and me. We hoped we were on the right vehicle. Soon the coach was almost full of hot, rather peeved passengers, and by 8.45 we were on our way. After travelling for about 45 minutes the driver stopped the coach, opened the door and silently stalked away. Had he gone somewhere to sulk?

For almost 30 minutes we sat in the coach wondering if we had been abandoned. Would we reach the docks in time to board the ferry? The heat in the coach was almost unbearable, so I stood in the aisle and opened the small gap in the sunroof. Several people applauded. The driver returned. Without uttering a word he re-started the vehicle.

After we had passed the Bank of Baroda for the third time I whispered to my wife: "Is the driver lost?" Surely this was nowhere near the route to the docks? In fact we were in the East End of London, where the coach driver spent about two hours seeking the pick-up points for two passengers.

We had boarded the coach in Woburn Place, central London, assuming that we would be taken straight to Dover: our ferry to Belgium left at 1pm. This was to be the start of our 12-day Cosmos coach tour of Belgium, Luxembourg, France, Switzerland, Liechtenstein, Austria and Italy.

At last the two passengers were found. According to gossip on the coach, they were not even on the same tour and their ferry was not due to leave until 5pm. Was this true? Who knew? The coach raced to Dover, arriving just in time to see the ferry leaving for Ostend. We would have to wait at Dover until 4pm for another one.

Was this inauspicious start to our holiday to prove an omen? Fortunately, the ferry was spacious, properly air-conditioned and extremely comfortable. The holiday now looked like being enjoyable. After all, the coach from London to Dover was only a "free feeder coach" whereas the Cosmos brochure promised "touring by private first class air-conditioned motor coach on the Continent."

In Ostend we were met by several Cosmos staff who were having to cope with many other customers. It was 11.30pm when we reached the hotel in Brussels to find the foyer full of complaining people: a party of Indians were without their luggage, an Englishman was unhappy with his room. The hotel suffered from outside traffic noise.

Early next day we met the others who were to share the same coach for the rest of our holiday. There was a large group of friendly Jamaican-Americans, a Japanese couple, several Chinese from Canada, an Indian gentleman, some Australians, Puerto Ricans, a white South African couple, and a number of other Americans: teachers, bus drivers, office workers, students, a doctor, business people and others – a cosmopolitan group that added greatly to the interest of the holiday.

Kimberley and Sing Yu were the only young children. The Cosmos rule for the tour was "no children under eight," but the company made an exception for Kimberley since she was already a seasoned world-traveller and promised to be good.

We had booked two twin-bedded rooms so there were no "child discounts" – we paid the full £426 each.

The tour "escort" – an Englishman named Peter – urged us to remember our coach number because there were many other tour coaches and he did not want us to stray on to the wrong vehicle, and explained the daily seat rotation system whereby people took it in turns to sit in different seats. Smoking was not allowed on the coach.

Our first full day on the continent saw us breakfasting in Belgium, lunching in France and dining in Switzerland. Subsequently we popped into Liechtenstein before continuing through Austria and Italy and back into France.

At motorway service station and other rest stops we frequently had to pay (and queue) to use a wide variety of toilets. As one of the American ladies said: "It's been a real eye-opener. We've seen the toilet queues of Europe. We've had to pull chains, push handles, pull levers, press buttons and kick levers."

Would we undertake a similar coach tour again? Yes – if we could be guaranteed in writing (preferably signed in blood) that not only would the coach have air-conditioning but that it would work properly.

Being stuck in a travelling sauna for perhaps eight hours in a day is no fun. I also wish coaches had personal headsets (like those on planes). Not everyone has lost the art of silent contemplation. The beauty of fields of sunflowers, the majesty of mountains, the views of ancient buildings – all diminished if they are accompanied by a cacophony of inappropriate music.

In addition, at several hotels the brochure-described "twin bedded" rooms only had one small double bed in them.

Yet for value-for-money the tour would be difficult to beat. Several of the hotels were pretty awful, but a number were excellent. We calculated that if we had had to pay the full room rates it would have added up to more than the cost of the tour (ie, the mobile sauna was "free").

A coach tour like ours is ideal for those who want a taster of different places to help decide where to spend a longer holiday. It is also a good way of meeting and travelling with people of different nationalities and backgrounds.

Property

For the very seriously wealthy

***John Brennan** considers houses which only multi-millionaires need to bother with*

OVER THE next few days a dozen or so people will receive a personal invitation to tour The Ionic Villa (pictured above). This is the first of six Quinlan Terry-designed town houses built on the outer circle of Regent's Park in central London.

Those on the list will have been expecting an invitation to view. They receive several such calls each month as major properties become available on, or more commonly off, the open market. They are the seriously wealthy home buyers whose numbers make up the most valuable pages in sales agents' contact books.

It is not that these target clients need a roof over their heads. Most will already have a property in London, some will have several. Instead, like collectors of classic cars, and those who upgrade their fine art collections and take an interest in any of the alternative capital markets, most will take the time to consider a prime London house.

The rich are not merely different, they trade homes in a different way as well. Only rarely do they lose money on the deals. Commonly, their properties are as much used for business entertainment as they are for private homes.

At the back of the Ionic Villa, on the other side of Regent's Canal, beyond a small but meticulously landscaped garden, is Grove House, the Regent's Park villa bought by the late Robert Homes à Court. Add the purchase price to the upgrading costs on that and the property would have cost a total of £13m to £14m. Even given the generally depressed state of the UK housing market if the Homes à Court family ever decided to sell, it is unlikely that Grove House would become available for much under £20m.

That degree of price insulation stems from the simple fact that no one can build another Grove House again, and its scale and position makes it a property which underlines its owner's status.

Much the same element of "unique value" applies to The Holme, the far larger immediate neighbour to The Ionic Villa that the Crown Estate has been upgrading on its own account for the past 18 months. Often in that time The Holme has been reported as sold and it is understood to have attracted a serious – but not accepted – offer of £25m last year.

Every valuation of a property is, to a greater or lesser degree, subjective. Transplant The Holme to Wiltshire and it would stand out as a fine country house. But as a county mansion you could move the decimal point forward and regard a couple of million pounds as a demanding price. As a country house in central London, close to the Mosque and a short, walk to the US Ambassador's home, it represents a quite different commodity. It is less a house and more an international collector's item.

The Quinlan Terry villas are intended as classics, to be bought and traded in that international standard market. This has little to do with the design, or the quality of finish, of the properties.

The designs are almost selfconsciously "classic". None are likely to incur the wrath of Prince Charles which is, perhaps, just as well given that they are on 110-year leases from the Crown Estate. As for the finish, suffice it to say that the owner is unlikely to find fault with the workmanship, and should find the layout of the house far more conducive than some older properties with dauntingly grand, 18th century-scale reception rooms.

It is the location and rarity value that justifies most of the £8.5m price tag for the 7,000 sq foot, six-bedroom two-storey house that will shortly be released through joint agents Lassmans (Tel: 071-499-3434) and Savills (071-730-0822).

That asking price positions the new houses between the super-cost old villas and Regent's Park's distinguished, but more commonly available, terrace houses. These now sell for between £1.3m to just under £3m depending on size, lease terms, quality and position. The only near-equivalent property is the vast, over 10,000 sq foot, central house, in Gloucester Terrace, the largest of all the Park's terrace homes, which sold for £6m a couple of years ago and which recently fetched £8m.

The other five villas, in what must be the most expensive housing estate in Europe, are all signally different in appearance and layout. They will be completed and brought to the market at six-month intervals to avoid diluting the rarity value.

Rectory saga ends

CHELSEA Old Rectory – which claims to have the largest private garden in central London after Buckingham Palace – has been sold at last. Although it is understood that contracts have been exchanged such is the property's history that neither joint agents Strutt & Parker and Knight Frank & Rutley are uncrossing their fingers and talking about the deal until the ink is dry on the £8m cheque.

The Old Rectory has been standing empty, bar a caretaker and a garden full of happily undisturbed and numerous rabbits, for eight years. It was bought for around £1.5m on a 110-year lease from the Church Commissioners by Sabah Al Rayes, brother of the Kuwaiti Ambassador to Britain.

The architectural schemes of the owner caused an outcry when it was discovered that he intended to extend the 18th century house by 36,000 sq feet creating one of the largest private homes in the capital.

In spite, or perhaps because of, the amazed reaction to the scale of this planned extension, *Sabah Al Rayes* actually obtained planning permission. Then the Kuwaiti stock market went into a nosedive and the Ambassador's brother ceased visit Britain regularly.

The Church Commissioners, meantime, were getting increasingly frustrated by the owner's failure to comply with the terms of the lease, which called for major repair works on the property.

Diplomatic and commercial embarrassments were compounded over the years and deals and near deals were reported. Agents Strutt & Parker and Knight Frank & Rutley were appointed agents in the winter of 1988 when rights of sale were finally hammered out by the two banks which sought and won court agreement to press ahead with a sale. Now Chelsea Old Rectory is – subject to contract, mind changes and the court's discretion – sold.

Hall for sale

IT STRETCHES the power of the word "unusual" to apply it to a medieval guild hall offered for sale for conversion into a private house.

Yet parties of prospective buyers are being shown around the "unusual" Salisbury Joiners' Hall by the local office of Strutt & Parker (tel: 0722-28741).

It is looking for around £250,000 for a 99-year lease, with an additional couple of years to carry out restoration and conversion works.

The Guild of Joiners' meeting place has been in the care of the National Trust since 1873, not long after fire gutted the panelled interior.

Since then the building, dating from 1612, has been used for various commercial purposes, most recently as an antiques showroom. Now the Trust has won planning permission for conversion into a single, probably three-bedroom, home.

Its initial scheme of works suggests a conversion and repair bill of £100,000 to £120,000 – hence the sale price and, thanks to last century's fire, the scope to carry out a conversion within the Grade I property's listed facade.

S & P's Denise Rees says: "The building had been slowly deteriorating and although one or two people have been put off by the cost of renovation we have had enormous amount of interest, with visits from morning to night.

"The Trust seems quite open to suggestions about how the house might be laid out. Their plan has the living rooms on the ground floor, but a lot of people who have viewed it see the main hall area as a better living room."

The house comes with a decent-sized town garden and driveway access to the back, where there is planning permission for a double garage. It is just a few minutes walk to the city centre from the St Ann's Street property.

J.B.

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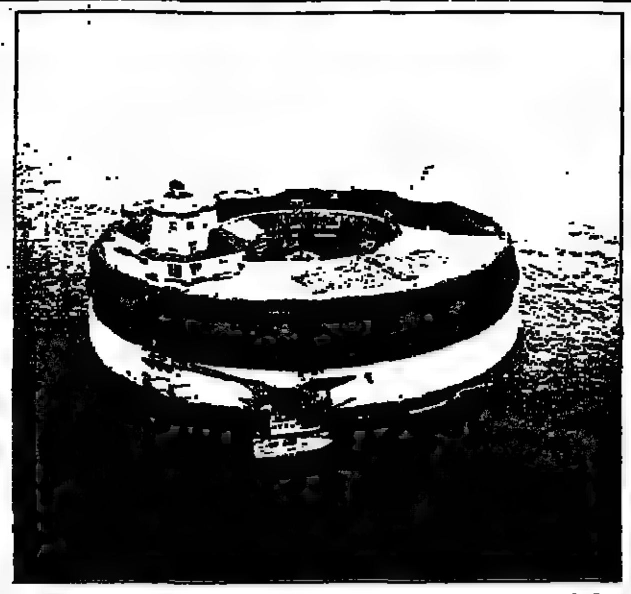

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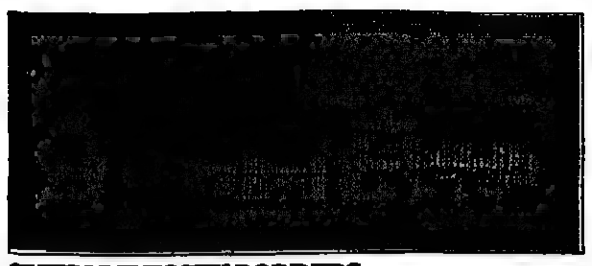

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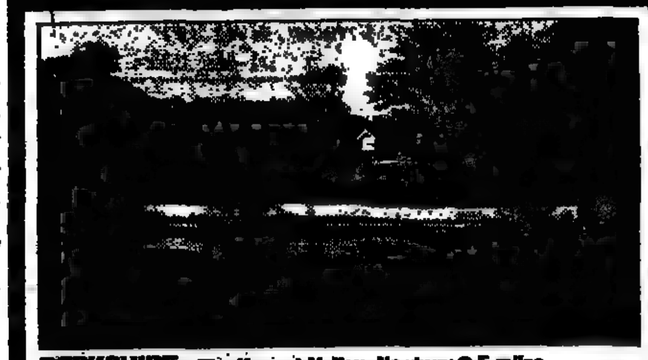

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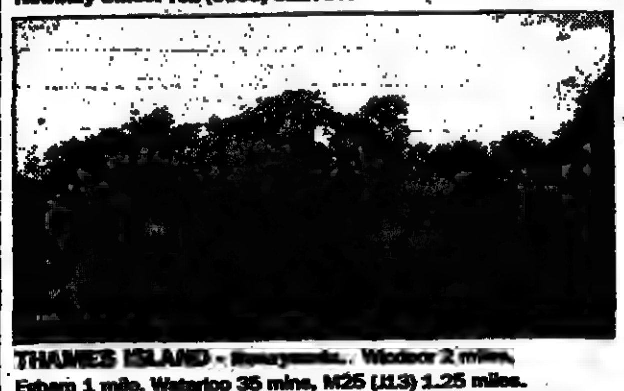

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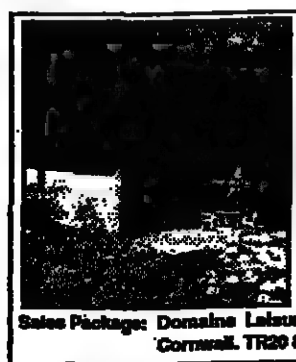

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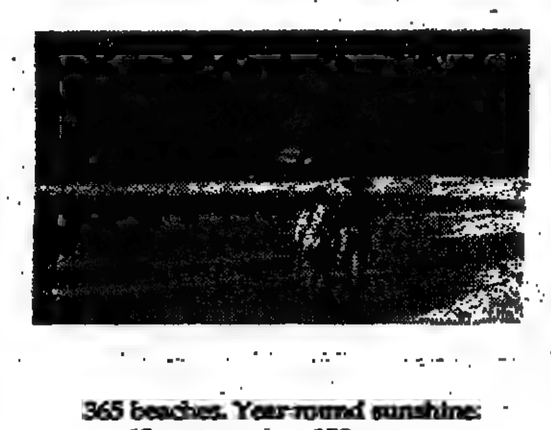

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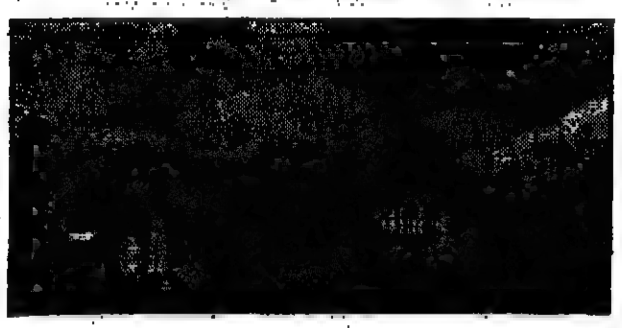

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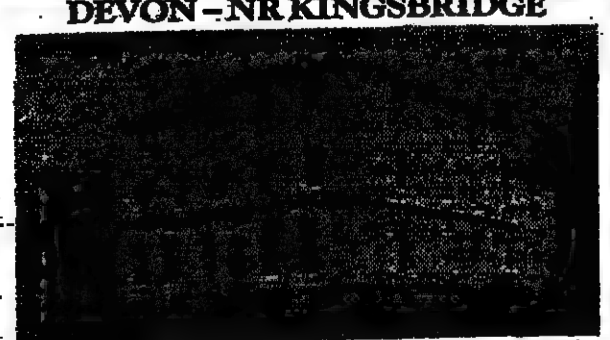

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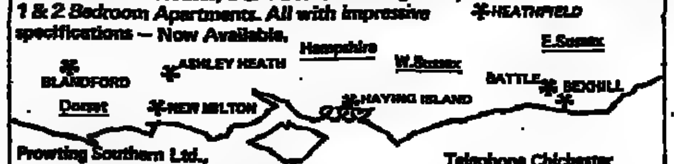

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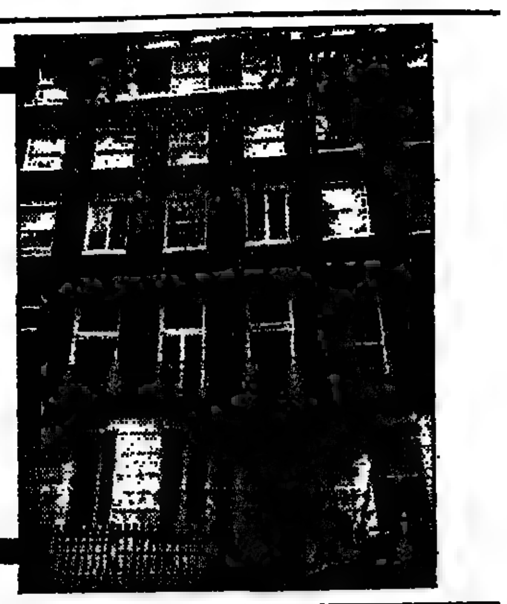

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Chinese cuisine – red in tooth and claw

***Nicholas Woodsworth** finds that everything that flaps, slithers, hops, trots, or crawls is regarded as suitable for the pot in the Far East*

MY BABY pigeon arrived as I had ordered it, roasted. So far, so good. It may have been me, or it may have been my Chinese phrase book, but one of us was definitely not up to the rapid-fire Cantonese of the restaurants of back-street Macau. Getting what I'd asked for was a minor triumph. But was what I asked for really what I wanted?

Why had they left the poor beast's head on? Why had they turned it sideways, so the bird's beak rested gently upon its neck, as if in peaceful sleep? Was this naked thing an innocent fledgling nesting on a bed of lettuce, simply to be dismembered and devoured? The waiter's eyes, sharp and attentive, said yes. The pigeon's eyes, happily, remained closed and said nothing. I stifled my guilt and began crunching tiny bones.

I might as well have left my guilt at home. Roast baby pigeon was among the least disturbing items on the menu; I had deliberately chosen it as a mild and humanitarian solution to an evening's dining out. The man at the next table was smacking his lips over boiled racoon. The couple in the corner were just tucking into braised fish brains. Compared with the bizarre and bloodthirsty gorging going on all around me, I might have been dining on alfalfa salad.

Eating in Canton, Macao or Hong Kong, I recently discovered, is not altogether like eating at the local Chinese restaurant at home. That soup comes at the end of the meal, or that rice is absent at a proper Chinese banquet, are only minor differences. The most startling one is that in the kitchens of southern China, everything that flaps, slithers, hops, trots, or crawls is regarded as suitable for the pot. Even in non-Chinese cities as dull as Ottawa or Oslo you can of course find shark's fin or bird's nest soup. But as daring exotica these dishes pale before the fare offered in the simplest of Macao's restaurants or Canton's markets.

Lost in a warren of tiny streets off Macao's Avenida de Almeida Ribeiro, the little place that served me pigeon was not remarkable. It was surrounded by establishments ranging from stir-fry street stalls selling stand-up dinners for a few pence, to the kind of place where a wedding banquet can ruin a bride's father financially for the next decade. Like its neighbours, its pavement was stacked with glass tanks where fish pouted, prawns frantically trod water, and savage-snouted eels tried to scare off potential customers – all to no avail. What attracted me to it especially was the frontpiece of its menu, an illustration of a mongoose locked in mortal combat with a cobra.

"Stewed Meat of Beast and Stewed Welcome to Pre-engage", read an English translation below the Chinese script on the same page. I still haven't got the slightest idea what a welcome to pre-engage – stewed or otherwise – means, but my pigeon dinner came from a list of beasts that included the following:

- Sliced snake . . . $120
- Stuffed snake's pellet . . . $120
- Boiled racoon (one catty) . . . $150
- Braised wild hog (one catty) . . . $100

Chinese food: in spite of appearances, it is too good to stay away from

A catty turned out, not as I feared, to be a small cat, but a Chinese measure of weight (of cats and dogs, more in a minute). The menu continued with such odd delights as "Fried earth worms with chives", "Intestine of pig with chilli and been sauce", "Fried sliced frog with vegetable", "Scrambled eggs with fish maw", and "Scrambled frog". And to drink? There was the soda-pop-like Portuguese wine, Mateus rosé, and there was snake's gall wine. I took the Mateus.

Not all the dishes listed, of course, were quite as outlandish as these, and not all restaurants in Canton serve fried worms. But the menu did illustrate the astonishing nature and variety of the local cuisine. Of the four basic Chinese culinary styles – Cantonese, Peking, Shanghai, and Szechuan – it is the first, the cooking of southern China, that is the richest and most varied, the most subtle and complex.

Much of this has to do with Canton's position on the lush sub-tropical coast of southern China. Further to the north diet is limited by climate; wheat is the staple and cold winters dictate a solid fare of noodles, pancakes and dumplings. Here, on the other hand, good rainfall and warm temperatures allow for intensive, year-round farming. Paddy fields are in constant use. Fertile soils nurture a profusion of vegetables and fruits. Ponds and streams are home to ducks, geese, frogs and fish. Farmyards abound with chickens and pigs. From rich coastal waters comes marine life in a thousand different shapes and forms.

All this can be seen on the rail trip from Hong Kong to the city of Canton. While trains jammed with livestock and fresh produce roll past on their way to the colony, Chinese peasants in broad, conical hats water intricately laid-out vegetable fields pushed dangerously close to the right of way. For as far as one can see, not a square inch of land is wasted.

It is perhaps China's long history of intermittent famine and starvation that make its people hesitant to indulge in any kind of waste. The Cantonese themselves like to joke that they will eat anything with legs except tables. And whatever they do choose to eat, they eat in its entirety: fish's lips, bear's paws, monkey's brains and duck's feet are all considered choice morsels. Even the way in which food is prepared and cooked reflects a preoccupation with scarcity: meat is traditionally sliced very thinly for rapid cooking over a short blaze of sticks or straw.

One of the great attributes of Cantonese cuisine is that such a rapid style of cooking permits food to be eaten crisp and fresh. Compare stir-fried Chinese greens with the soggy cabbage of English tradition, and you'll know why the Chinese ancients had a reputation for wisdom. This demand for freshness and natural flavour – much in contrast to the heavy sauces of Shanghai or the hot spices of Szechuan – has become a near-obsession in Cantonese cooking. If it's been pulled out of the ground, hauled out of the water, or had its throat cut more than an hour or two before, it isn't fresh.

Nowhere is this more painfully obvious than in Canton's Qingping market, a crowded, odour-laden place any Royal Society for the Prevention of Cruelty to Animals member with a weak heart would be well-advised to avoid. It is easy enough to watch a carrot being chopped up. It is a bit more difficult to see the same thing happen to live turtles, crabs, snakes, eels, and fish. When, however, with the same dispassionate efficiency the Qingping marketmen take their cleavers to furry animals – whimpering dogs and cats included – and then hang the results on meat hooks, one can only walk away with an interest in Chinese cooking – and eating generally – somewhat shaken.

For most Western visitors to the market the feeling does not last long. They may not go in for the next bowl of snake and cat soup they see on a local menu, but watch them later in the day launch into Canton's greatest culinary triumph, Dim Sum – savoury meat and vegetable fillings fried or steamed in pastry. The truth is that the cuisine of southern China is just too good to stay away from. I may think twice before ordering my next roast pigeon, but I will probably continue to enjoy Cantonese cooking until I fall from my perch.

Better spät than never

***Jancis Robinson** meets a young German who wants to conquer Burgundy*

IT WAS raining and grey in almost-unified Germany earlier this month when I stepped off a train in the village of Assmannshausen, which hugs a cliff of purple slate made by the Rhine's major right turn towards the north. This is not the sort of weather welcomed in any Rheingau wine village at vintage time – except of course by the innkeepers.

I walked past Keller after Keller, one belting forth electronic drinking songs, another crowded with waltzers old enough to know better at 11 am. Rain plus package tourism is a particularly liquid combination.

The object of my visit, a wave-making young wine producer called August Kesseler, had told me airily that all I had to do was ask anyone in the street for directions. Five natives later I was drawn to a handsome archway into cellars hewn straight out of a Rheingold set by the only tractorload of grapes I saw all day (although even Kesseler gave up picking when he saw the rain set in).

I turned into the office and knew I had found this man of the world at last. On the shelves, above a steaming pot of coffee and a well-hacked torte, were rows and rows of empty bottles sporting labels as exotic, in this context, as Château Latour, Dow's and the new super-Tuscan Ornellaia.

August Kesseler has been hailed as one of a handful of wine producers in Germany producing world-class red wine rather than the sweet, often rot-tinged "red" wine, or Rotwein, for which the Germans themselves are quite happy to pay handsomely. Like his Rheingau neighbour Becker of Walluf and his friend Joachim Heger of Ihringen way down south in Baden, Kesseler draws inspiration from the big wide world of wine rather than from Germany. (It was no surprise somehow in the Kesseler cellars to be hailed by an old friend who has been based in Australia but is now working in the Napa Valley.)

These red wine zealots from Germany go to a wonderfully self-congratulatory knees-up organised each year in Oregon called the International Pinot Noir Celebration – except that in Germany the great grape of red burgundy is known not as Pinot Noir but as Spätburgunder (meaning late Burgundian).

In McMinnville, Oregon, each year Kesseler tastes, listens and networks so that he has as good a grasp of Pinot Noirs from around the world as anyone, and a fine list of friends with whom he can discuss anything that worries him about a vine or vat. He took me up some treacherously slippery steps to his scrap of a Spätburgunder vineyard tumbling down the steep hillside to his cellar roof. Standing underneath an umbrella we looked over the slate roofs, half-timbered gables and geranium-filled window boxes of Assmannshausen at the dark grey Rhine and the cobwebs of mist trapped in the forests rising up from the opposite bank.

He explained that he had learnt most from his American friends. "All the time I am faxing California winemakers like Larry Brooks of Acacia or David Graves of Saintsbury. And this is funny, *ja?*

August Kesseler: a wave-making wine producer

WHERE TO BUY GOOD GERMAN RED

KESSELER does not export, unfortunately, except to image-conscious Italy. However, he much respects the first-class Pinot Noir producer from Baden, ex-Lamberhurst Priory in Kent, Karl Heinz Johner, whose delicate PINOT NOIR 1987, K H JOHNER is £13.95 at La Vigneronne, London SW7 and £13.45 at The Upper Crust, East Horsley, Surrey. I would wait for the much more concentrated 1988, however.

Another really serious wine worth ordering in advance is SPATBURGUNDER 1989, LINGENFELDER from a top winemaker in Rheinpfalz. Philip Eyres of Amersham, Bucks. (Tel: 0494-433823) will be making an en primeur offer of it (there's praise!) in the next few months.

Oddbins stocks his excellent 1989 whites and his attractively juicy Barbera-like red made from a less noble grape, DORNFELDER 1989, LINGENFELDER at £4.49.

We shook our heads at the wonders of telecommunication as he looked towards the roof of another famous, more traditional red wine producer in this tiny Rhineside village. "They are trying to improve," he said, explaining that they too were importing small burgundian barrels from France. "But old know-how and modern barriques are not necessarily compatible."

The word from Oregon this year apparently is: hold the oak. Sighs of relief from Pinot Noir producers around the world as they can trim a major factor in production costs by buying far fewer powerful new oak barriques. Kesseler used 25 per cent new barriques on his acclaimed 1988 vintage and between 10 and 15 per cent on his 1990, but now reckons that the fruit is the thing and 10 per cent new oak, for just eight months, is about right for Assmannshausen's famous reds, even for 1990 which "will probably be the best vintage I ever make in my lifetime."

The berries I saw on those slippery slopes were certainly small, thick-skinned and few, which means that he will have no trouble getting a good, deep purple into his wine and that the flavour elements will be all the more concentrated. He tore one off, carefully. "Taste how sweet it is!" It was, and did look in a much better state than some Burgundian grapes I have seen at a similar stage.

Kesseler is no great burgundy enthusiast. His wine grower parents died young and he made his first Spätburgunder – "very normal light German red" – in 1976. It was not until a friend, a man from the motor trade, introduced him to non-German reds that he understood how many extra dimensions were possible and set off on a tour of the great red wine producing regions of Europe. He remembers stints at Gaja and Incisa della Rochetta in Italy with particular affection, and must have got pretty short shrift in Burgundy.

"It's not easy to get any know-how from the French guys. They say that the best Pinot Noir comes from Burgundy. That could be true but I think not at the moment. The region whose wines have the best structure is Carneros in California. And the Americans are so open. They tell you everything they know."

The sommeliers of the world would presumably dissociate themselves from his scorn for Burgundy, but those from the best restaurants in Germany have been queuing at his door to buy his barrique-aged Spätburgunders since the release of the 1985. They have to queue because he has just seven hectares of red vines – as well as six of classic white Riesling and a few rows in Rüdesheim of white Silvaner, traditionally a Rheingau grape the reputation of which he is working to revive (and which explained his grape delivery that morning).

After his grand tour in the early Eighties he changed his mind completely about how red wine should be made. He started to prune much more severely (so that his average yield is only about 30 hectolitres per hectare, less than a third of the local norm), to make dry wines from completely healthy grapes with a second, malolactic fermentation that softens the wine and makes it into a deep crimson, intensely fruity, cleanly perfumed, structured Pinot – although his insistence on ultra-reductive winemaking can leave it gassy before bottling.

"I want my wines to be drunk at about five years, but I want them to do all their developing in the bottle." His small yields (and, admittedly, the last three beneficent vintages) mean that the grapes ripen enough to make a wine of nearly 12 per cent alcohol without any outside help, but he tends to add a little bit of sugar during fermentation which disqualifies a German wine from superior QmP status and allows it only a QbA classification.

In Germany, as in Italy at the moment, innovative practice is, in some cases, ahead of the official classification system. This has done nothing to harm the reputation of Kesseler's Assmannshausen Höllenberg Spätburgunder 1986 for which he collected a gold medal in the International Wine and Spirit Competition in London last Wednesday.

Kesseler is clearly bent on re-establishing Assmannshausen's once-great reputation for producing really red reds. It is precisely that somewhat faded reputation that keeps the Kellers full of tourists and most of the village's vine growers so complacent (although the State Wine Domaine made an excellent Auslese Trocken in 1989). Kesseler is too young and too ambitious for complacency. "I am convinced Assmannshausen can be a serious rival for Burgundy," is his far from idle boast.

Appetisers

A COMPARISON of 1970 first-growth clarets, organised by Bibendum at £125 a ticket, showed a clear preference for the right bank with Châteaux Cheval Blanc and then Petrus being voted first and second favourite by the 40 (out of 250) successful applicants.

Those thwarted in their desire to taste first-growth claret could always investigate the Fine Wine Weekend at the Castle Hotel, Taunton, on November 2-4.

Averys of Bristol is assembling six vintages of Château Lafite-Rothschild, excluding the disappointing 1970, but including the delicious 1976, 1962 and 1955 which will be served with Saturday's dinner (none of this spitting nonsense).

Friday's dinner is centred on Burgundy, Averys' speciality, and the annus mirabilus 1959, ending with a 1945 Crimean Muscat from the Massandra Collection auctioned by Sotheby's earlier this year. The all-inclusive cost is £385 to £450 depending on accommodation. (Tel: 0823-272671).

Over the first weekend of March the Gleneagles Wine Weekend will feature Lafite's supposed rival and fellow premier cru, Château Mouton-Rothschild – most notably a tasting tutored by the elusive and dazzlingly successful winemaker Patrick Leon. Other tastings include Zind-Humbrecht's single vineyard Alsace wines and a comparison of some of the world's greatest reds, including Château Petrus. The all-inclusive price in this newly renovated hotel north of the border is £495. (07646-2231).

■ One of the more obvious bargains of John Armit Wines' Bin End Sale (ends October 31) is a 1987 Sonora County Zinfandel from the wine guru Robert Parker's favourite producer of this fascinating and lively red grape speciality of California. This particular Ravenswood bottling culled 90 points out of 100 from Parker (not the 93 claimed on the Armit list, but pretty cracking anyway) and yet John Armit has quite a few cases to sell at £100 each.

California reds of 1987 are in general stunning whereas the last three vintages have been as problematical as they have been problem-free in Europe. Stash this one away for two to three years, likewise the Ridge Geyserville 1987 which won a gold medal in *WINE Magazine's* International Challenge.

J.R.

Cookery

Mutton's comeback

***Philippa Davenport** wonders if the Nineties will see a return to traditional meat*

I RECEIVED news from Anne Petch, of Heal Farm*, one of Britain's best suppliers of traditionally reared beef, lamb and pork meats, that mutton joints were available for home delivery this autumn. The leg, shoulder and saddle joints she offered were supplied together with a jar of her own blackcurrant sauce, made with fresh berries and a hint of liquorice, an interesting alternative to the traditional choice of caper or onion sauce to partner mutton.

My order was placed too late, alas. The mutton sold out with lightning speed. However, those who tasted it were so enthusiastic that Heal Farm hopes to offer mutton again in larger quantities next year.

Are the Nineties going to mark the return to traditional meats, I wonder? We have already witnessed a gradual rejection of mass-produced broilerhouse poultry in favour of slow-grown free-range birds. Happily, it is again possible to buy chicken that tastes as chicken should, and black and bronze turkeys worth feasting on at Christmas.

Maybe mature sheep meat will be next on the menu? The Victorians rated mutton very highly but the demand for it gradually declined, and in the second half of this century it has all but disappeared from our tables.

Halal butchers seem to be the only regular stockists. Real mutton – I mean mutton specifically reared for the table, as opposed to the meat of elderly and exhausted breeding ewes – is firm and succulent, richer in flavour and darker than lamb.

Given the longer life it leads, it is also, of course, more costly to rear than lamb. I suppose the reason for its general disappearance has a lot to do with the post-war rush into intensive farming and the desire for faster turnover.

Also, whereas lamb can be eaten relatively fresh, mutton must be properly hung to eat well and too many shops selling meat today are reluctant to keep their capital tied up in the cold room.

In the absence of mutton, here are two recipes for good lamb or hogget (strictly speaking lamb is sheep meat from animals slaughtered in their first season, while hogget comes from animals in their second calendar year, but both are generally called lamb in the shops). I recommend neck fillet for both recipes. This is a relatively inexpensive cut, which I praised in a recent article but failed, as a reader has pointed out, to suggest good ways of using.

*Heal Farm, Kings Nympton, Umberleigh, Devon EX37 9TB. Tel: 07695-2077/4341.

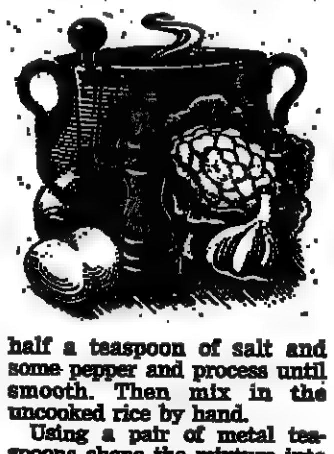
LAMB WITH PARSLEY, SPRING ONIONS & BAY
(Serves 4-5)

One of the pleasing things about these delicately-flavoured, small, damson-shaped meatballs is that they taste almost better next day. Reheat them carefully, placing the dish in a hot water bath in a moderate oven to avoid any risk of curdling the sauce. Brown rice and raw shredded Cos or Little Gem lettuce make good accompaniments.

1 lb of lean, boneless lamb (I use neck fillet trimmed of excess fat); a bunch of spring onions, trimmed of their roots; a bunch of parsley; 1 oz long grain white rice; 2 or 3 bay leaves; butter; 2 eggs; 1 lemon.

Put the spring onions and some parsley into a food processor and reduce to green and white flecks.

Add the lamb, cut into chunks, and process until finely minced and well blended with the greenery. Add the white of one of the eggs, about



half a teaspoon of salt and some pepper and process until smooth. Then mix in the uncooked rice by hand.

Using a pair of metal teaspoons shape the mixture into about three dozen neat little ovals. Lay them in a large, lavishly buttered sauté pan or a Le Creuset buffet casserole.

Add the bay leaves, pour on half a pint of hot water and bring to simmering point. Turn the meatballs over, lay well buttered paper on top and cover with a well fitting lid. Simmer very gently for half an hour, *turning the meatballs* once.

Keep the flame low and use a heat-retarding mat if necessary: only the occasional bubble should break the surface of the liquid. Remove the meatballs with a slotted spoon. Boil the cooking liquor for a minute or two while you mix together in a cup the leftover egg yolk, the whole egg and 1½-2 tablespoons lemon juice.

Draw the pan away from the heat and whisk a few spoonfuls of the hot broth into the eggy mixture, then beat the contents of the cup into the pan. Cover and leave for five minutes or so to blend and thicken the sauce slightly.

Check seasoning, pour the sauce over the meatballs and keep hot until ready to serve. Sprinkle with chopped parsley for added colour and flavour just before bringing the dish to table.

LAMB WITH AUBERGINES, PINENUTS & RICE
(serves 6)

A self-contained main course with rich autumnal flavours, this needs only a salad to accompany it. Most of the preparations can be done well ahead, leaving the cook only to assemble the dish and slip it into the oven about 1½ hours before serving.

1½ lb neck fillet of lamb trimmed of excess fat, or other boned and trimmed cut of lamb; 2½ lb aubergines; 2-3 onions; garlic, saffron, cumin and coriander seeds; 2 oz pinenuts; ½ lb long grain white rice; generous ¾ pt stock; a little oil; a small bunch of coriander or parsley.

Slice or dice the aubergines without peeling them. Layer them with salt in colanders; weigh down lightly and leave on a draining board for half an hour or so to draw out some of the juices.

Meanwhile toast the pinenuts in a dry frying pan until golden brown, and reserve. Toast a teaspoon or so each of whole cumin and coriander seeds and crush to a coarse powder. Chop the onions and soften them in a little oil, then fry fast for a minute or two to colour them, and set aside to cool.

Chop the lamb finely, aiming for ¼ inch dice. This is best done by hand. Season the lamb with a finely chopped garlic clove or two, the coriander and cumin and plenty of pepper but no salt. Drain and dry the aubergines and fry them in batches in a little hot oil until golden. Let them cool on baking trays lined with crumpled kitchen paper.

Tip the rice into the frying pan and stir over low heat for two or three minutes until the grains are transparent. Season generously then turn the contents of the pan into a baking dish.

About 1¼ hours before you plan to serve the dish, season the lamb with salt, stir in the pinenuts and onion and spread the mixture evenly over the rice.

Scald the stock with the crushed saffron and pour it carefully into the baking dish – it will barely cover the meat. Top with the aubergine and bake, uncovered, at 325°F (160°C) gas mark 3 for 1¼-1½ hours. Finish the dish with a thin green carpet of fresh chopped herbs just before serving.

BOOKS

Survival of the upper crust

British toffs weren't whipped through the streets, says Peter Bradshaw

DAVID Cannadine calls them "the most lucky aristocracy in the world". While their European brethren have been riddled with bullet-holes in Russia and guillotined in France, the most that the British must endure is a coach-load of German tourists in the master-bedroom, or perhaps a TV location catering van on the lawn while unkempt cameramen with incomes considerably more than that of the titled occupant size up the interiors for "period" authenticity.

This strangely banal *Götterdämmerung*, with its melancholy compromise and repressed resentment, is shown by Cannadine to be quintessentially British: our wilting toffs were not whipped naked through the streets by a righteous proletariat, they were merely left behind by the 20th century's exponential growth-rate in events and ideas.

From the 1880s to the 1940s, the British landed classes were irreversibly diminished: traumatised by two world wars and impoverished by the agricultural slump, income

THE DECLINE AND FALL OF THE BRITISH ARISTOCRACY
by David Cannadine
Yale £19.95, 814 pages

tax and death duties, the patricians simply became dwarfed in an astonishingly short space of time by the new urban, plutocratic wealth and the growth of mass political parties with their attendant middle-class career politicians.

With an impressive amplitude of (largely secondary) reference, Cannadine charts the demise of Britain's senatorial elite in every field of public life: the decline of local control in which the squirearchy gave place to the local county council, and the ebbing of aristocratic influence in the Foreign Office, Court, Church and Army, as seigneurial privilege was toppled by bourgeois meritocracy.

The author does an important job of distinguishing between patrician "leisure" and the later, vulgarised notion of "pleasure": the difference between the country house ideal as a way of life, and as a place where urban plutocrats go for the weekend. It is with an involuntary sense of awe that Cannadine records the fact that the 10th Duke of Beaufort hunted six days a week for over 40 years. Similarly telling is the incident in 1940 in which the fearsome Lord Leconfield, chancing upon some villagers playing soccer, interrupted his pursuit of the fox to bellow at them: "Haven't you people got anything better to do in wartime than play football?" For the aristocrat, the principled cultivation of leisure was once a class duty.

Cannadine is particularly interesting on how the invention of the steel-barrelled, breach-loading shot-gun in the 1880s fundamentally degraded the sport of shooting. The new gun made for accurate shots and more frequent firing and this innovation, together with the breeding of tame birds driven by beaters, made shooting childishly easy in comparison with before. Cannadine cannot withhold a tone of distaste at the self-congratulatory "saturnalia of slaughter" at country house shooting parties before the Great War, particularly the trigger-happy Lord Walsingham who in 1888 distinguished himself by shooting 1,070 grouse in a single day.

The patricians sought some escape from their debasement at home in foreign travels: either in the great adventure of colonial settlement or in the loftier, more disinterested pursuit of uncharted foreign lands. It is impossible not to be charmed by the Quixotic spirit of these aristocratic adventurers, and Cannadine endows them with an irresistible Ruritanian glamour: from Sir Claude Champion de Crispigny who made the first crossing of the North Sea in a hot-air balloon, to Lord Curzon who took a dress-suit and a rubber bath with him on a journey to Afghanistan.

Throughout, Cannadine expertly maintains the bittersweet tone of comedy that is essential for describing this bloodless revolution. As the ballast of their land and power was removed, the unhappy nobles floated up into a decorative superstructure, as governors of minor provinces and nominal chairmen of charitable committees. Cannadine has a marvellous flair for evoking the Gilbertian world of comic opera that so many dispossessed patricians were condemned to inhabit. He has a particular relish for the Pythonesque silliness of their names; taken virtually at random, there is the Rev. Sir Lovelace Tomlinson Stammer, Sir Walter Bartelot-Bartelot, Bart. and Sir Hughe Knatchbull-Hugessen, whom Theodore Roosevelt virtually vetoed as a possible US ambassador. "How can a man with a name like that ever get his personality across this country?"

Many would see the modern history of British aristocracy not as a downfall, but a brilliant rearguard action of survival against forces which have destroyed comparable classes abroad. But Cannadine insists on the simple truism that, exceptions notwithstanding, the landed, leisured classes have disappeared. In writing this enormous Decline and Fall, his task has evidently not been to proffer new reasons for the patricians' passing, nor to advance perversely ingenious arguments to the effect that, say, the "downfall" didn't happen, or that it wasn't important. His concern has been a return to an old-fashioned "grand narrative" historiography: simply telling a big, important story, telling it in detail, and telling it well. And in this, he has undoubtedly succeeded.

Confessions of an artist

Anthony Curtis reflects on the secret self of a popular painter

SOME VIEWERS "may find parts of what follows distressing." The warning that occasionally flashes onto our television screens ought perhaps to be put at the start of this biography of Keith Vaughan. Not on the essential point of his work. There is absolutely nothing to distress us about that. On the contrary, Vaughan's art is now being rated even more highly by art-critics than it was during his lifetime. He is among the most gifted of the immediate post-war generation of British painters, the peer of Bacon and Freud. From November 14 to December 14 there will be a welcome opportunity to re-consider his standing when a comprehensive show of 70 items, ranging in price from £750 to £40,000, opens at Agnew's.

If it were merely concerned with the work, Malcolm Yorke's handsomely produced book, with line and colour illustrations strategically interleaving the text, would be wholly uplifting, a joyous feast of those blends of brown, ochre, mauve, blue, grey, black etc. which Vaughan made his hall-mark over half a century. But there is also the life which by Vaughan's own confession was one of lonely, introverted, sado-masochistic bitterness. This hidden, inner man found expression in Vaughan's journals of which he left behind 61 volumes, or approximately 700,000 words. People who knew Vaughan – like Alan Ross whose travel books he illustrated – testify that, in spite of this secret self, he was an agreeable and stimulating companion. He had many friends among his fellow-artists, and among writers and academics. Vaughan was a popular teaching painter at the Slade and much appreciated when he went for a semester to the University of Iowa.

But as he settled into middle-age he seems to have turned away from those closest to him, and even from his living-in companion of many years, to settle for a strange kind of marriage with himself. He shut out everyone in favour of an endless inner dialogue, recorded in his regularly kept journals, modelled on those of André Gide. Alongside Vaughan's description of the external world, discussions of painting and observations on his wide reading, on morals, religion, psychology, there are agonising pages of self-doubt, accounts of his casual pick-ups while cruising, of masturbation sessions, of self-inflicted tortures involving a "black box" purchased at Gamages which Vaughan used to pass an electric current through his genitals.

Selections of the less horrific pages from these journals have been published separately. Yorke, who has written previously about Eric Gill (if anything an even odder fish than Vaughan, believe it or not) has had access to all of Vaughan's journals. This scholarly and sensitive biogra-

KEITH VAUGHAN: HIS LIFE AND WORK
by Malcolm Yorke
Constable £25, 288 pages

pher is thus able to give the reader direct entry into Vaughan's mind at the main turning-points of his life.

As a young man, Vaughan soon discovered that he was homosexual and once he had attained independence as an artist he turned to composing studies of the male nude, a subject which became his lifelong preoccupation. He had little formal education or training. His father died when he was a boy and he was sent to board at Christ's Hospital which he detested. He could not credit how completely it had been transformed when he returned after the war as an eminent alumnus. When he left school he had no opportunity to go on to university. He worked until war broke out for the advertising agency Lintas.

From the ruling coterie in London, John Lehmann spotted Vaughan and got him to illustrate stories in *Penguin New Writing*. Vaughan then met Graham Sutherland who gave him what amounted to private tutorials and who, above all, confirmed the confidence Vaughan had in his own talent. When the war broke out Vaughan became a conscientious objector and worked in an English POW camp in Yorkshire where he found time to practise his art. His brother Eric joined the RAF and was killed, leaving Vaughan to provide for their mother. Though he always dreaded visiting her, Vaughan took his washing home for her to do for the rest of his life.

In the heady neo-romantic period that began with the Festival of Britain, Vaughan's reputation grew steadily among discerning patrons, and eventually as the 1950s progressed, he enjoyed a comfortable income from the sale of his paintings in London and New York. When he died he left £146,000, a flat in Belsize Park and a cottage in Essex.

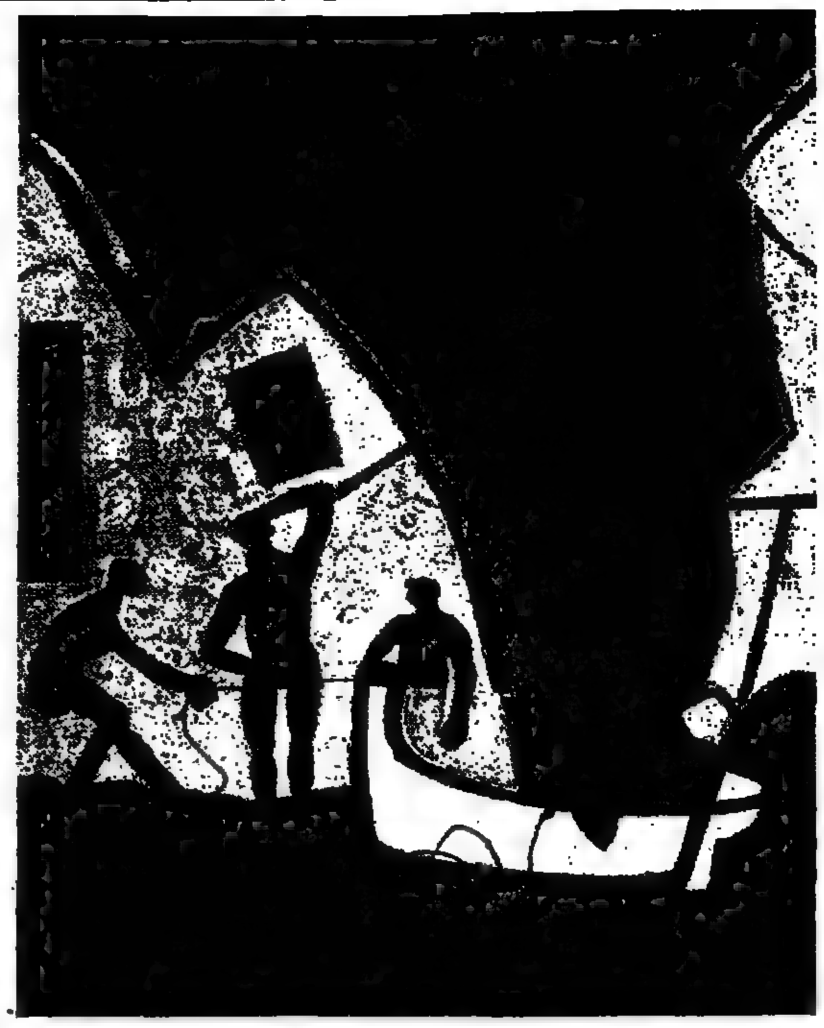
Far from limiting his scope, his obsession with the male nude proved to be a continual and developing source of strength – from, as Yorke shows, the well-endowed figures of the 1950s, captured in isolation against a neutral background to the later groups and the assemblies where the whirling human forms echo the thematic design of the whole composition, partaking of its internal momentum.

The very clear distinction Vaughan made between young men in art and in life comes out in one of the many memorable passages from the Journals quoted by Yorke:

"Come-to-bed nudes sometimes work as painting (as apart from high-class pornography) heterosexually – because there seems something in common between voluptuousness of [female] flesh and the oily malleable appeal of paint. But you can't do it with men – who cease to be men if they take on a come-to-bed look. Greek sculpture never has this. Roman sculpture tried to but failed, because it failed as sculpture. It was neither art nor life."

Vaughan was actually writing his journal on the morning of November 4 1977 when he died from a self-administered over-dose. "I cannot believe," he says, "I have committed suicide since nothing has happened. No big bang or cut wrists. 65 was long enough for me. It wasn't a complete failure. I did some . . ."

Yorke's well-written book should prove an enlightening experience for all admirers of Vaughan's art.



Obsessed by male nudes: 'Finistère: Group of Fishermen', 1951

Tale of power and ambition

Mark Archer finds the 'Glittering Prizes' shifted to 5th century Greece

WITH which 20th-century writers do you associate the following four characters from myth: Oedipus, Sisyphus, Tiresias, Odysseus? However well you did in coming up with Freud, Camus, T.S Eliot, and Joyce, here is a new pairing to consider: Frederic Raphael and the myth of Gyges.

The myth of who? Gyges is not the sort of name that crops up regularly on the Booker list of myths. And anyway, the historians point out, in the first book of Herodotus' History, Gyges is not a myth at all but a real person, friend and bodyguard of Candaules, King of Lydia. Candaules was so conceited about his wife's beauty that he made Gyges spy on her as she undressed. He wished his friend to envy him his happiness. But when the Queen realises her disgrace, she plots a speedy revenge against her husband. The next night Gyges is made to kill Candaules, marries the Queen and becomes King of Lydia. Herodotus dismisses the whole episode: Candaules "was fated to end ill", he says.

But if Gyges was a real person, then perhaps it should be Gyges and the myth of Frederic Raphael? This makes more

THE HIDDEN I: A MYTH REVISED
by Frederic Raphael
Thames and Hudson £14.95, 95 pages

sense. Like all myths, the television series *The Glittering Prizes* exerted a symbolic power out of all proportion to its literary merits. The myth, though, was the post-war educational settlement: "Study hard, work hard, and be successful." The question was, "Is it all worth it?" In the sceptical 1970s the myth seemed ripe for questioning.

In this new book – which is illustrated by daughter Sarah – Frederic Raphael returns to the Glittering Prizes. The setting has changed (fifth-century Greece instead of Memorial Court and Wardour Street) but the themes are the same, ambition and power, and the prizes not too dissimilar, stealing your best friend's job (becoming King of Lydia) and having an affair with his wife (marrying the Queen).

Raphael rewrites the story of Gyges in a poetic style which is sparse, elliptical and highly self-conscious. Passages are sometimes so knotted with

Frederic Raphael

metaphor and word-play that they sound obscure or just plain silly. But it is a good story and Raphael tells it well. His gifts are for the drama of human relations, for the Jamesian evasiveness, for instance, with which Gyges and Candaules express their thoughts to one another, neither sure of the boundary separating flatterer from friend.

Some of the book's images work beautifully. "I know you're there, aren't you? You might as well come out", the Queen calls to the figure she half-sees spying on her, believing it to be her husband. "Her voice was their baby; it crawled cooing towards him."

The stylishness of the tale's blood and gore ending belongs to the best traditions of literary artifice. Jacobean dramatists such as Webster and Tourneur would have relished Raphael's choice of myth. What are we to make of it? In Herodotus, Candaules' fault was pride. Here it is male insecurity and competitiveness, something modern feminists have long pointed out to us. But the harshness of the Queen's response suggests she shares some doubts about her own identity ("I thought him a man; I see I was wrong. You are the proof. He is a coward and a fool and I loved him. *What am I?*") Gyges, meanwhile, is tough and handsome but merely good at looking after himself in an amoral world.

Is Raphael's myth addressing some of the gender muddles of the modern age? Raphael's tale, like the best myths, leaves us guessing, but as one of the most ambitious and original of books to appear this year, it certainly repays reading.

Director with a heart of gold

EARLY BURN-out is an occupational hazard in the film industry. Beset by hot lights, temperamental stars and domineering producers with Vesuvian cigars, the miracle is that so many talented directors go on being talented for so long.

Carol Reed, the subject of Nicholas Wapshott's new biography, was one of the unlucky ones who didn't. His three best films were made in a brief postwar purple patch – *Odd Man Out, The Fallen Idol, The Third Man* – and he spent his remaining 20 active years cranking out uninspired thrillers (*The Running Man*) or unwieldy screen juggernauts (*The Agony And The Ecstasy, Oliver!*).

A biography is overdue, but now it is out we see why it did not come sooner. Reed is opaque; he is a mystery man. He is the still centre around which a fascinating life revolved. He seems to have bumped up against most of the British culture heroes and heroines of the century, from his father Sir Herbert Beerbohm Tree, who begat him illegitimately, to Daphne Du Maurier, with whom he had a youthful romance, to Graham Greene, with whom he made his two best films. Yet one has precious little insight into this gentleman-filmmaker himself.

Was he a true poet of the cinema, as fans of his best work insist? Or was he, as non-fans suspect, a sponge for other people's ideas: a man who happened to run into G.Greene and O.Welles on his best project and not surprisingly soaked up some of their talent.

Biographer Wapshott, who has previously tackled meatier material in Margaret Thatcher

THE MAN BETWEEN
by Nicholas Wapshott
Chatto & Windus £18, 365 pages

and Peter O'Toole, chips away at the enigma through childhood, boyhood and adulthood without ever exposing a convincing inner life. One of the book's inadvertent charms is the way it runs off digressively to every more exciting personality who comes along. There is more about Tree than is remotely warranted by the light it sheds on Reed. (Indeed it sheds none at all.) Edgar Wallace, for whose plays Reed acted and stage-managed as a youngster, is an overgrown child who behaves as if he has stumbled on his very own toy theatre. When Marlon Brando begins running amok on the set of *Mutiny On The Bounty* we all cry "Thank God, life again at last."

If the book illustrates anything, it is that the kindly filmmaker has a short career expectancy. Reed was at his best, it seems, simply as a human being. He was splendid with children, and even with grown-ups Reed could be kindhearted beyond the call. When an old English actor called Charlie France kept forgetting his lines on *Night Train To Munich*, Reed took co-star Rex Harrison aside and persuaded him to fluff his lines. Result: France's confidence surged back.

It is heartwarming, but is it show business? Perhaps Carol Reed, to fulfil the promise of his postwar heyday, needed more iron in the heart and less tenderness. A sad conclusion, urged on us by this book.

Nigel Andrews

India accepted, warts and all

NEARLY 25 years ago I reviewed *An Area of Darkness* for the *New York Times Book Review*. I was as rough with V.S.Naipaul as he had been with India in that immature and ill-tempered book. Thirteen years later came *India: A Wounded Civilisation*. This book, too, I found unworthy of a great writer like Naipaul and said so in my review for this paper.

His latest offering, *India: A Million Mutinies* is a most welcome departure from the earlier books. The acid is absent. Tenderness and sympathetic understanding have replaced chronic indignation. This time he did not arrive in India with an intellectual vacuum cleaner to sweep away all our shortcomings. He no longer flies off at a tangent. The passage of time has mellowed him. Yet there is no diminishing of intellectual brilliance, acuteness of observation or narrative skill. In this book, time and again he provides stimulating and illuminating insights and an overview which lures the reader to turn the page and ask for more of the same. He still finds much

INDIA: A MILLION MUTINIES NOW
by V S Naipaul
Heinemann £17.50, 521 pages

that offends his sensibilities but his anger is now tempered with reflective tolerance.

Naipaul spent most of 1989 in India, travelling to Bombay, Bangalore, Chandigarh, Calcutta, Santiniketan, Lucknow and, of course, Kashmir. Apart from looking up old friends he had met on his previous visits he also saw a new lot of unusual and tremendously interesting people, such as the Dalit leader Namdeo and his writer wife; influential and shadowy Shiv Sena leaders; representatives of Periyar's self-respect movement; former Naxalites. With a word here, a subtle comment there, he draws all these people out and we get to know them better and appreciate their predicaments. There is much unselfconscious soul-searching and self analysis which he relates to his own Caribbean Indianness.

Naipaul spent some time in Lucknow, the capital of India's most populous state (130 million and growing), Uttar Pradesh. He quotes at some length from an almost forgotten book, *My Diary in India in the Year 1858-9* by William Howard Russell, who was correspondent of the *Times* covering the 1857 revolt. Before 1857 Lucknow was the home of art, music, elegance, culture and gracious living. Russell wrote, "not Rome, not Athens, not Constantinople, not any great city I have ever seen appears to me so striking and beautiful as this..."

Naipaul has this time round looked at India more deeply. In New Delhi he met the remarkable Mr. Vishwa Nath who runs a very successful women's magazine. He is an original character if ever there was one and gives Naipaul an unusual panoramic view of India's past and present, squarely blaming the Brahmins for all our ills: in Punjab the author meets the followers and detractors of the late Sikh leader Bhindranwale and has a long and satisfactory meeting with my brother-in-law, Maharaj Amarinder Singh of Patiala. Finally he goes to Kashmir and this chapter should bring nostalgia back into fashion. In some ways time has stood still, in other ways everything has changed and not all the changes are for the better.

In a memorable paragraph Naipaul makes a profound observation: "to awaken to history is to cease to live instinctively, it was to begin to see oneself and one's group the way the outside world saw one: and it was to know a kind of rage. India was now full of this rage. There has been a general awakening. But everyone awakened first to his own group or community. Every group thought itself unique in its awakening..." And, some pages later, "a million mutinies supported by twenty kinds of group excess, sectarian excess, religious excess, regional excess: beginnings of self-awareness...A central will, a central intellect, a national idea. The Indian Union was greater than the sum of its parts."

That V.S. Naipaul should write thus is both moving and impressive. With this book he may well have written his own enduring monument, in prose at once stirring and intensely personal, distinguished both by style and critical acumen.

K. Natwar-Singh

Trial run for Impressionists

Antony Thorncroft on why minor works failed to attract the buyers this week

THIS WEEK'S sales of Impressionist and 20th century art in London were the equivalent in importance to a maiden race at Fontwell Park, but they offer some guidance to the Classic auctions scheduled for New York in November (and London a few weeks later), when the Big Names, the Renoirs, the Monets, and the Modiglianis, get the chance to parade before the hard bitten punters.

Melanie Clore, of Sotheby's, declared herself "very satisfied" with the results, given the financial and political uncertainty stalking the world at the moment. Her sale on Wednesday morning brought in £2m, with 31 per cent unsold. The comparable auction in 1989 produced roughly the same total but with only 10 per cent unsold.

The main feature was the decisiveness of bidders. If a picture failed to sell there was probably not a bid for it in the room; those that found new homes often hit their target price. What was most reassuring for Sotheby's was the presence of Japanese dealers, who provided the impetus behind the boom in Impressionist and 20th century art in recent years. Around half the lots by value will go to Japan including the four most expensive, a Vlaminck flower painting which made £110,000 and three Utrillos.

These two artists, along with Marie Laurencin, Foujita, and Chagall, are very much favoured by the Japanese, artists who tended to concentrate on a few easily recognisable images. The Japanese still seem scared of the unique. Artists out of favour were the second rate decorative Impressionists, like Henri Martin, Henri Lebasque and Henri Le Sidaner.

On Friday Christie's had an even more depressing time shifting bottom of the market, under £30,000, art in this sector, and over half was unsold. Both salerooms had turned away pictures that carried too high reserves and persuaded sellers to accept estimates up to 30 per cent lower than those prevailing a year ago. The London results were worse than those achieved in New York earlier this month when Sotheby's was only 16 per cent unsold and Christie's 26 per cent. But then New York is the world centre for Impressionists and can expect slightly higher quality lots – and bidders.

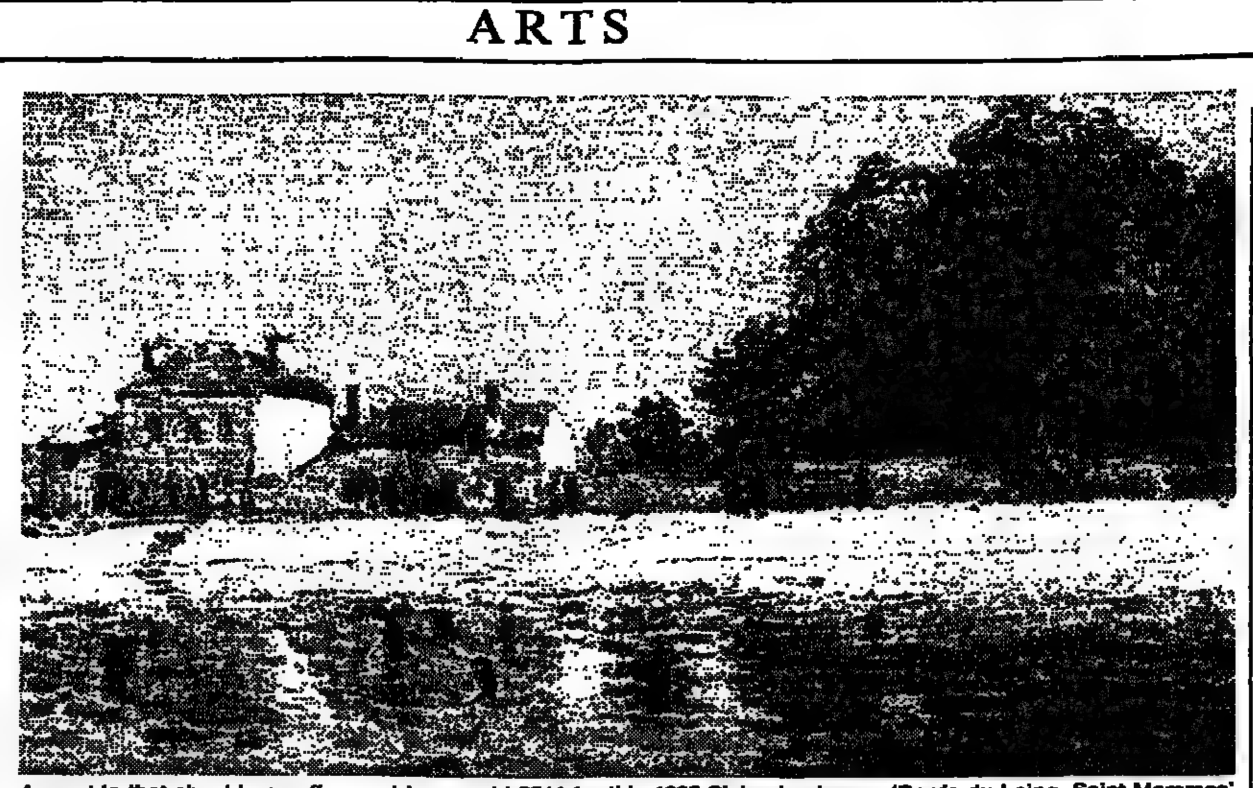
Five years ago these third division sales of Impressionists were routinely 25 per cent to 30 per cent unsold. The extraordinary price boom of 1988-89 raised expectations wildly and attracted in speculative buyers who invested heavily in what was often second rate art.

Still Impressionist and early modern art is doing better than contemporary, which rose even faster in price and seems to be sinking equally speedily. There was nothing of great interest in Sotheby's and Christie's auctions this week, but a BI of 45 per cent at Sotheby's and 46 per cent at Christie's says it all. The only bright spot was demand from the Spanish for Spanish artists. The other encouraging feature of the week was the prices paid for ceramics produced by artists, in particular the dishes and jars churned out in limited editions from originals moulded by Picasso.

Of course all this means that it is a good time to buy Impressionist and modern art and Christie's can offer an instructive story. Between 1938 and 1964 an European art lover spent £5,507 on acquiring ten Impressionist paintings. He is selling them at Christie's on December 3 and should be richer by £5m. Admittedly it was something of a gamble paying £544 in 1942 at Christie's for a Sisley landscape, but it should now be worth more than £2m. Another landscape, by Pissarro, which cost £600 in 1943 is valued at over £1.5m, while "Vase of Peonies" by Renoir has appreciated from £1,000 in 1951 to £300,000 today.

The secret is to buy the best examples that you can afford, which might give the auction houses heart as they approach their major sales. This sector accounts for almost half their turnover, and profits, and is the key to their success. Estimates have been pared down so that a colourful vase of poppies and cornflowers by Van Gogh, which Christie's is selling on November 14, is estimated at $16m. A year ago the forecast would have been at least $25m. The same with a famous Renoir from the Henry Ford II collection, "Le tasse de chocolat", with its estimate of $18m. In 1989 it might have carried a $30m forecast.

Both salerooms desperately need successful auctions. They have made things more tense by offering certain sellers guaranteed returns – Sotheby's around $50m to secure the 36 works from the Ford collection, and Christie's nearer $10m for three paintings from the Yasseen family. compared with the likely dramas in New York in mid-November this week's sales in London were small beer.



A gamble that should pay off: an art lover paid £544 for this 1885 Sisley landscape 'Bords du Loing, Saint Mammes' in 1942; on December 3 Christie's hopes it will make more than £2m

New York Saleroom

Prized painters of the fin-de-siècle

AT NEW York's sales of 19th century European paintings and sculpture there are certain names which always attract attention and, it goes without saying, correspondingly high prices. The names which most obviously spring to mind are James Tissot, Giovanni Boldini, Jean-Leon Gerome, Jean Beraud, William Adolphe Bouguereau, and the sculptor Antoine-Louis Borye. Works by all of these artists, which as often as not have American provenances, regularly fetch sums in excess of $1m today and they are being bought by such illustrious collectors as Sylvester Stallone, Jack Nicholson, Andrew Lloyd Webber and Madonna.

Notwithstanding that the Musée d'Orsay managed to buy a lost masterpiece by Gerome – "Golgotha (It is Finished)" at Christie's in New York earlier this year. This was a snip at just over $500,000: the artist's record of $2.2m had been achieved at Sotheby's a day or so earlier for a painting of Bathsheba.

The record for the Italian painter, Boldini, is the $1,650,000 which was paid at Christie's New York for "A Summer Stroll" in February last year. Boldini, who was based in Paris from about 1872, painted the portraits of many Americans on the Grand Tour. In doing so he gave them an image which suited very well their artistic pre-occupation with the Belle Epoque. That same pre-occupation led them also to seek out the paintings of Bouguereau – images of women and children that were both sentimental and sexy – and Beraud – acutely observed scenes of society in fin-de-siècle Paris. It was such a picture, called "The Bal Public" and exhibited by Beraud at the Salon of 1880, that fetched a record $2,860,000 at Christie's in May of last year. By comparison Bouguereau's auction record (at Sotheby's in May 1983) is a paltry $410,000, although Sly Stallone, in a private sale, paid $1.785m for a Bouguereau in 1988.

Henry James found Tissot's sentiment "sterile and disagreable", but this view was not shared by many of his compatriots and Tissot's work was widely collected in America during his lifetime. Today, his paintings – handsome women lost in thought – are still sought after by American collectors but of late the Japanese have added competition to the market. The artist's record, fetched at Sotheby's in May last year, is $1,375,000.

While the French practically ignored the Animalier sculptures of Antoine Louis Barye during his lifetime – he was consistently rejected by the Salon – the artist was never short of American patrons. Now the French are collecting Barye: an auction record of about $200,000 was paid in Paris for a bronze bust this year.

Works by all of these prized artists are included in New York auctions next week (October 23 and October 24), no record prices are likely. In today's market vendors are justifiably nervous and the quality of the works on offer is not on a par with those sold in the past couple of year. Nevertheless, Gerome is well featured by both auction houses, although Christie's, with two major paintings – a version of Bathsheba (estimate $1-1.5m) and "The Blue Mosque" (estimate $7-900,000) – as well as an exquisite sculpture (estimate $150,000-$200,000), has the edge.

In next week's sales interest is more likely to focus on other artists. At Christie's there is a small Venetian scene by Corot (estimate $400,000-$600,000) and a dark storm scene by Theodore Rousseau with the same estimate. A small water colour of a shepherdess by J-F Millet (estimate $3-400,000) may be too small for the Japanese collectors, although collectors of Orientalist paintings will be well catered for with works by artists such as Fronentin, Benjamin Constant, Charles Barque, and Pasini.

Highlighting Christie's sale are several French sculptures. Since the opening of the Musée d'Orsay in Paris, where sculpture is given such prominence, interest in late 19th century French sculpture has escalated. A pair of half life-size marble statues attributed to Jean-Joseph Foucou has an estimate of $60-80,000 and there are marble busts by Carrier-Belleuse with estimates of $7-18,000. Carpeaux, whose work epitomises French style at this period is well represented by sculptures in bronze and terracotta: his estimates range from about $3,000 for a small terracotta to $20,000 for a larger bronze. Among several Animalier bronzes by Barye are two examples of his "Cheval Turc" expected to fetch as much as $30,000 each.

Top lots at Sotheby's are a Chasseriau of two Algerian women with a baby (estimate $4-600,000); a full length female figure by Albert Moore which was exhibited at the R. A. in 1878 (estimate $1-150,000); a most unusual G F Watts, "The Dove that Returneth Not" which was highly regarded by the artist himself and exhibited at the RA in 1877 (estimate $2-300,000); a barn interior by Clausen (estimate $70-90,000); and "A Sussex Orchard" by Henry La Thangue (estimate $150-180,000). A very striking view of the Bay of Naples painted in 1884 by the German artist Oswald Aschenbach will excite interest among German and Italian dealers alike (estimate $80-120,000).

Sotheby's has produced a separate catalogue for about 199 Scandinavian paintings which it will sell (for an estimated total of $15-20m) as part of their 19th century auction. With a suggested price of $2.2-2.8m for a black painting by August Strindberg, the auctioneers are obviously looking to Scandinavia for this week's auction records.

Homan Potterton

Radio

Opinions on monarchy

OPINION, on Radio 4 the last few Sundays, has presented a Chief Constable defending the image of the police; a fashion designer condemning commercialism in culture; a retired member of the IRA pleading for peace. Last Sunday, Edgar Wilson, a "writer and philosopher" who led off with a rather self-satisfied account of himself, argued against the monarchy.

I won't pretend to be neutral on the subject, but I concede that to the ordinary man the monarchy seems as much a question of personal acceptance as the church. Opposition arguments brought forward by Mr Wilson (or by his producer, Anna Parkinson) ran the usual course – royal privileges are anti-democratic, the Civil List is too generous, and so on.

Three young women interviewed at a Newcastle railway-station didn't think much of the Queen, and I suspect didn't know much about her. An Opposition Member of Parliament reckoned that abolition would soon be accepted. Favourable arguments, it must be said, were social rather than political – all too easy to justify. Tourism, even style, were cited, as if the monarchy were a branch of the theatre.

Opinion seems to me an admirable concept, a chance for listeners to hear such unpopular views expressed without any suspicion that they represent the ideas of the BBC hierarchy, though I suppose it is the BBC that chooses the topics. No one could charge that these little debates are intended to influence public opinion, or anyway not one way more than another. They are just good listening.

Enterprise 90 is a Radio Times/Radio 4 competition aimed at finding, and rewarding, people with schemes for ingenious and efficient new projects, and sounds in line with Government ideas. The competition is divided into two, one half for companies aiming for a £10,000 prize, the other half aiming for a £5000 prize. Some 250 companies have entered, and Radio 4 is to highlight one entry from each section each Wednesday.

This week, Melvyn Cowley of Wolverhampton is the £10,000 competitor with his enterprise Relief Driver Services, which provides long-distance drivers for trucks. The drivers are fully trained, no cowboys or boy racers considered. They are given smart uniforms to work in, and provided with briefcases in which to stow all necessary papers. There are at present 70 drivers available at four locations; Mr Cowley's aim is 25 branches, with 25 drivers available at each.

The £5000 challengers of the week are Michael and Jenny Hartley, with Wildabout Orkney, a scheme for taking small groups of visitors to good places where they can spot interesting local plants, birds and things (there are 93 different kinds of spider on Orkney, Mrs Hartley assures us), as well as scenery, iron-age remains, and so on. The *Enterprise 90* scheme sounds splendid, and if the other entries are up to this week's standard, they will be good to listen to. As in *Opinion*, the listeners are not directly involved, and as in *Opinion* the programme is well worth hearing.

Tony Bagley's *The Machine*, the Tuesday play on Radio 3, was an example of Enterprise neglected in the year 1603. Ned Prynne (James Bolam), earns his living by rounding up masterless men and selling them into service. An unattractive living it may be, but it keeps him. He even has the time to work on something better, a machine that will record and play back his own voice.

But he only wants it to make a history of his own life. He has the offer of a patron, but declines it. Instead, he chooses a boy from his current crop and asks him to speak into the machine, to record all the anger and filth of himself and his fellows. The boy is speechless – exactly what Prynne wants. Let him look after the machine, then, and in a future age it will tell only of Prynne's last hours.

It was an ingenious theme, but for me too many brief events intruded without leading anywhere, and Prynne, left along with his machine, became unbearably talkative. Alec Reid directed.

B.A. Young

Drawn to visual wit

IT SEEMS that the autumn season in London's galleries has never been busier. Whether or not the work is actually selling is another matter, though after the long summer's gloom the whisper is that things are looking up. We shall see.

With so much favour now lavished in the young, in interest and practical support, it is salutary occasionally to be reminded by example of how impoverished so much of the figurative work of younger artists is, in terms of objective knowledge and technique. Enjoying the inestimable advantage now denied the young of having been taught properly to draw, Leonard Rosoman (at the Fine Art Society, 148 New Bond Street W1: until November 2) makes the demonstration with consummate erudition and visual wit. Though much of it is on paper, it is a virtuoso performance, at once funny, engaging and substantial, for he has the gift more common in his generation than it is now, of investing his work in gouache or water-colour with quite the importance and physical presence of that on canvas.

He is an exquisite draughtsman and, as we see here from his portrait of his dealer, Andrew Patrick, a master of the portrait, no matter how idiosyncratic his approach may be. He enjoys the wonderful knack of being able to take outrageous liberties with conventional perspective and pictorial space, without in the least compromising the credibility of the image. If anything it is enhanced, the long swoop and roll of the street from left to right, or the vertiginous view down onto the ship's deck far below, the passengers lurching from side to side in the gale, fixed absolutely upon one's own remembered physical and visual experience.

This peculiar gift makes him a remarkable muralist. The decorative and illustrative flair of his work in this field should in no way we allowed to detract from its inherent authority as art. *Pace* Uccello, Piero, Giotto and company, it is only in our own time that decorative and illustrational have become somehow terms of condescending abuse. The sequence of large studies for his murals in the chapel at Lambeth Palace, on the the life of Thomas-a-Becket, are as fine as anything in the show. Last year the Imperial War Museum gave Rosoman a small show of his work as an official war artist during the Second World War: now, at 76, he is clearly working as well as ever.

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Maggi Hambling (at Bernard Jacobson, 14a Clifford Street W1: until November 10) is a figurative painter of a very different kind, but in her way no less authoritative and impressive. She has nothing of the dandy's refinement of Rosoman, in her work that is to say, elegant and ironical. Rather she worries her canvasses into an authentic personal and symbolic expressionism. She remains a painter of the figure, but some years ago turned also to landscape and in particular to the experience of sunrise and sunset, producing images that grew increasingly mystical, symbolic and abstracted. For a while that aspect of her work seemed more remarkable for its energy and commitment than its resolution, but now, in this show, we see it come to a full and substantial maturity.

The paintings are large, most of them tall in their principal dimension, and they present surfaces that are dense with pigment, vigorous in statement and at first deeply ambiguous in imagery. But slowly the suns and moons reveal themselves, shimmering beneath the surface as if reflected and diffracted in the water. And slowly there emerge more weighty possibilities, lovers entwined, dragons, demons, gods – as it were in sort a personal zodiac.

There is a painted ceiling in the Myoshinji temple in Kyoto, on which the huge dragon, Ryu, changes his mood as one walks round beneath him, now fierce and lowering, now benign. The Zen artist-monk is said to have contemplated the image over many years, inactive until the decisive moment and then painting him at a stroke. In Miss Hambling's case, whatever the long preparation of underpainting and changes of mind might be, in the amplitude and generous freedom of the final statement she calls to mind nothing so much as that decisive Zen conviction and authority. That she has never been to Japan and professes only a normal educated interest in Japanese art is neither here nor there.

William Packer

Records

A gut reaction to Village Romeo

SIR CHARLES Mackerras's new recording of *A Village Romeo and Juliet* should do much to remove that lovely work from the ranks of "operas for connoisseurs" and place it where it belongs, in the main repertory. In spite of his cosmopolitan-intellectual tastes and acquaintance, Delius was an intensely physical composer. With the partial exception of *Fennimore and Gerda* his operas work not by their appeal to the mind but by gut reaction. As in the Zurich production of 1980, which he conducted, Mackerras makes one feel the musculature below the covering of drenching beauty and sadness for things passing.

The set was made in Vienna, sung in English by mostly British soloists, with the Austrian Radio (ORF) Symphony Orchestra and Arnold-Schönberg Choir. As the lovers Sali and Vrenchen, kept apart by a family feud over a strip of waste-land outside their Swiss village, Arthur Davies and Helen Field sing freshly, youthfully and ardently, with the right feeling of pained innocence. The most unusual performance is the Dark Fiddler of Thomas Hampson. In adapting their libretto from Gottfried Keller's long short story, Delius and his wife Jelka watered down the realism, and with it the sinister side of the Fiddler's character. Hampson sings him strongly without attempting to suggest quaintness, and it works. Barry Mora and Stafford Dean do what can be done for the children's nasty, quarrelling fathers Marti and Manz. The off-stage boatmen in the final scene make a splendid sound. The chorus deals neatly with the folksy-fey la-las of the Fiddler's drop-out friends in the riverside scene. This is turn-of-the-century period stuff, somewhere between Stevensonian vagabondage and *The Immortal Hour*.

Small wonder Sali and Vrenchen decided not to join the drop-outs, who in any case reject them as being "too respectable". It is wide of the mark to regard the couple as working-class rebels. Their fathers are small landowners, petty bourgeois in their narrow-mindedness. Vrenchen cries over the disappearance (to pay lawyer's fees – that strip of disputed land) of home comforts. The two dream of a conventional wedding – a church, a priest, a choir, peals of bells. When they get to the fair, Vrenchen longs for cheap finery – consumer goods, in fact. It makes the upward transition to a poetic double deathwish rather too sudden. But when the moon floods the river landscape and the lovers step into the hay-barge, cast off and drift away to drown together, the outpouring of passionately lyrical music stills all objections. The orchestral playing here, and in the familiar Walk to the Paradise Garden interlude, is irresistibly eloquent.

Also welcome is a single disc of four orchestral pieces by Delius, with the Paradise Garden again. This time Mackerras conducts the Orchestra of the Welsh National Opera. The other works are *Brigg Fair*, the *North Country Sketches* (Delius painting his native Yorkshire, with pages of Brontean wildness) and, most valuably, *In a summer garden*. Why is this fine piece neglected – because it is hard to bring off, or because of the commonplace title? More a scherzo than the expected reverie, it paints the garden at Grez-sur-Loing near Fontainebleau where Delius lived for many years – fluttering birds and insects, dappled sunshine through trees, shifting light on the river. Staccato phrases tossed about recall Debussy's *Jeux*, four years in the future. One can imagine a ballet on the lines of Tudor's *Jardin aux lilas*. The excellent playing of the WNO band deserves a less boxy and blary recording.

Admirers of the Dutch mezzo Jard van Nes will hardly need urging to hear her sing the Alto Rhapsody on the single disc of short choral works by Brahms, with the San Francisco Symphony and Chorus under Herbert Blomstedt. This is musicianly Brahms, happily removed from the world of prize-winning pianists pounding through the concertos and star conductors churning out the C minor symphony. Miss van Nes has a striking voice, but I find the Rhapsody less congenial now than the *Schicksalslied* (Song of Destiny), the elegiac *Nänie* (a lament for the composer's friend, the painter Feuerbach) or the Goethe-inspired *Gesang der Parzen* (Song of the Fates), hard-hitting at first, working down to a mysterious, desolate close. Blomstedt reverses the usual order by keeping the orchestra to the fore. The chorus sound devoted but a little muzzy. As an extra, the early Funeral Hymn for chorus and wind instruments written, not for concert performance, but for use out of doors. Just the thing for a bleak North German graveside.

Brahms's chromatic, introspective vein was further developed by Max Reger in such works as his reflective, deeply-felt *Der Einsiedler* op. 144 for baritone, chorus and orchestra to words by Eichendorff. This is well worth hearing. The remaining pieces are for Reger specialists. Fischer-Dieskau, probing but sometimes unsteady and bombastic, is partnered by various Hamburg forces. The eminent baritone is heard again at an earlier stage of his career (and in grand form) in a re-issue on CD of Frank Martin's six monologues from *Jedermann* and three excerpts from his Shakespeare opera *Der Sturm* (The Tempest). Equally impressive for the music and for the performance. The companion work is Werner Egk's *La Tentation de Saint Antoine*, a setting for contralto, string quartet and orchestra of traditional French tunes and verses. During the war some South German musicians apparently felt a strong attraction to the world of French rococo – Strauss's *Capriccio* is an illustrious example. Janet Baker delivers the spicy musical epigrams with point and poise.

The centenary of Frank Martin's birth falls this year. There is more of his music on another re-issue on CD, of the Suisse Romande Orchestra under Ansermet playing the delectable Petite symphonie concertante for harpsichord, harp, piano and double string orchestra, the Concerto for seven wind instruments, percussion and strings, and the sinewy Etudes for string orchestra. There are passing untidinesses, but one gladly trades extra polish for the punch, style and zest Ansermet brings to this refreshingly astringent composer.

Ronald Crichton

Delius: *A Village Romeo and Juliet*. Field, Davies, Hampson, Mora, Dean, Arnold-Schönberg Choir, ORF SO/Mackerras. Argo 2 CDs. 430 275-2, MC 430 275-4.

Delius: *Brigg Fair*, etc: WNO Orch./Mackerras. Argo CD 430 202-2, MC 430 202-4.

Brahms: Works for chorus and orchestra. Van Nes, San Francisco Symphony and Chor./Blomstedt. Decca CD 430 281-2, MC 430 281-4.

Reger: Songs with Orchestra. Fischer-Dieskau, St. Michaelis and Monteverdi Chors., Philharmonic State Orch. Hamburg/Albrecht. Orfeo 209 901 A.

Martin: Monologues from *Jedermann*, excerpts from *Der Sturm*. Fischer-Dieskau, Berlin PO/Martin. Egk: La Tentation de Saint Antoine. Baker, Koeckert Quartet, Bavarian Radio SO/Egk. DG 429 858-2.

Martin: Concerto for 7 wind instruments, Etudes for string orchestra, Petite Symphonie concertante. Suisse Romande Orch./Ansermet. Decca 430 003-2.

ARTS

In Paris, Lyons and Marseilles exciting choreographers are at work. Our ballet critics report

For Beauty read Carabosse

Zizi Jeanmarie in Roland Petit's 'La Belle au bois dormant'

IT IS better to forget *The Sleeping Beauty* while watching Roland Petit's newest creation for his Ballet de Marseille. Indeed, though entitled *La Belle au bois dormant* – which one might be pardoned for thinking meant *Anything Goes* – Petit's staging is in fact a "Show" for Zizi Jeanmaire as Carabosse, with sections of the Chaikovsky score and a few shards of Petipa choreography to excuse the title. Staged in Petipa's native city, given in *Beauty's* centenary year, this is a tease, a series of theatrical tricks and jokes (most of which come off) that would make a balletic purist very white around the gills. It is in part inspired by the work of Winsor McCay, one of the fathers of the cartoon strip. His delightful dawn-of-the-century drawings have an innocence and an energy that Petit and his decorators (Roberto Plate for sets; Luisa Spinatelli for costume) have incorporated into the action.

So the King is Groucho II, complete with cigar and scuttling walk; the Queen waters a flower that turns into the Lilac Fairy; and the court is made up of clowns who caper against vast perspectives of a lapis lazuli palace. But it is more largely conceived as a production in which Zizi Jeanmaire's artistry makes Carabosse the centre of the action.

Who cares about Aurora when Zizi appears, masked as a crone, and huddled under black rags from which a spiffing leg reveals her true identity as divinity of the stage? What matter that the score is chopped and changed unmercifully (but without undue brutality, thanks to David Garforth's sensitivity as arranger and conductor) if Zizi can impersonate a clown, and make quick changes from one glittering outfit to another and engulf us all in that massively trusting and joyous personality? And let logic go hang – Carabosse steals the whole of the last scene by appearing at the wedding as a welcome guest – if Zizi can suddenly show moments of such seriousness and emotional potency that one longs for a dramatic ballet from Petit to capitalise upon this thrilling talent.

Without Jeanmaire the evening would be much harder to take. Petit's view of the story is oddly ambivalent: he strains every convention that the story possesses, plays Old Harry with the score and dance-narrative, while yet claiming some link with the Petipa/Chaikovsky masterpiece. He turns almost everything to jokes except the Prince's conflict with Carabosse – though depriving him of the Lilac Fairy's traditional help – which here becomes an extended and mysterious incident in which Jeanmaire displays both elegant point-work and a temperamental sharpness that makes the scene unforgettable.

Denying Chaikovsky at every turn – many of the score's numbers are transferred to radically opposed dramatic situations – and rejecting most of Petipa's choreography, he also creates a new heroine in Carabosse. We care not a jot about Aurora or her Prince (on Wednesday, the young Francesca Sposi and Cyril Pierre) because Carabosse is made so hypnotic a force by Jeanmaire.

And yet, and yet. There is an innocence and a theatrical vitality to the production which speak happily of a fairy-tale world where strange, funny, unexpected things happen. Petit's mastery of the stage never fails him, his Ballet National de Marseille works hard and well – the men especially impressive – and the Marseille Opera orchestra sounds very well under David Garforth's baton. It is *La Belle au bois* but not *Beauty*; an extravaganza but not Petipa's and Chaikovsky's hymn to a classic ideal. It is a fantasy about a fantasy, and it wins its audience's heart.

Clement Crisp

Polarity of the sexes

ALTHOUGH *Polarity*, Merce Cunningham's latest work which I saw at the Théâtre de la Ville in Paris, is like nothing else he has made, it could only be by him. The "polarity" of the title refers perhaps to the two sexes. In the work's first half, dancers of the same sex are seen in duets. Men and women share the stage, share choreography, but don't really meet. Then, as the work develops, men and women make contact and dance together.

The male-female duets are utterly unlike the same-sex duets, and that is no surprise. But the movement is often surprising, and this supplies the work with fresh meaning. Between man and man, or woman and woman, there is the easy calm of parity. Two men can stand side by side, bodies softly touching, eyes not meeting, but pelvises slowly circling. Two women just hang on each other's eyes and stand or gently, gently move. When man and woman meet, however, it's an occasion. There is confrontation, daring, need, dependence. *Polarity* is for seven dancers in all, and small ensembles pass between, behind or around the duets. It's like a wild-life documentary with particular interest in couples. Between members of the same gender, there's bonding. Between members of the opposite sex, there is drama, mating, dependence. In the meantime, life carries on, in larger groups, steady and absorbing.

Polarity, albeit chamber-scale, is one of those works in which Cunningham gives us a whole world view. David Tudor's electronic score suggests now thunder, distant danger, trains passing or just the noise of undergrowth, of crickets: to my ears always suggestive. William Anastasi's designs, however, is foolish. The backdrop features two blow-ups of poor animal sketches by Cunningham himself and the costumes are stiffly heavy. As with other recent pieces for seven dancers, Cunningham presents this work with two casts – senior and junior. The senior cast at present is the more memorable. Patricia Lent, that powerhouse of impersonal strength, is thrilling in the risks she takes with a man's support – making herself a belt around Alan Good, or leaning this way and that onto Chris Komar –

Merce Cunningham

and in her own sure ability to lend assurance as well as to take it.

I also saw, a fortnight earlier, two of the company's three Events in Lyons. As in Leicester last year, one Event employed the historic decor designed for the 1968 *Walkaround Time* by Jasper Johns "after" Marcel Duchamp, and the second had the famous helium-filled silver pillows conceived by Andy Warhol for the 1968 *RainForest*.

The first was an exceptionally all-encompassing evening, by turns poetic, witty, lyrical, dramatic, ominous. Numerous sequences stand out in memory. Victoria Finlayson and David Kulick in a brisk duet where she proceeds in her incomparably seamless flow while he finds time to jump, turn and stamp in between partnering her. Or Kimberly Bartosik proudly borne, like some totem or trophy, in a split-leg position on the shoulders of three men in a zig-zag across the stage, then suddenly swivelling down so that, from that same split, her torso hangs, her arms still holding a formal *en couronne* position upside down. Or Patricia Lent running softly onto the stage and across into the arms of Alan Good, who holds her high, and then supports her in a deep backbent fall.

It is not, however, any specific image or section that hangs largest in the mind after such an evening, but a multi-faceted sense of the Cunningham temperament, a sense of the constantly changing vision of life his choreography holds before us.

Alastair Macaulay

Writers talking about writers

B.A. Young is entertained at the Cheltenham Literary Festival

FAY WELDON, who spoke at the Cheltenham Festival of Literature on Tuesday, raised a point sometimes made by new visitors: what is a Festival of Literature for? In the audiences that crowded every event, scores of people could have told her, but the answers would not all be the same. Some speakers are there to tell about their own work, some to tell about other people's work, some to comment on the great, a few simply to entertain.

In the broadest sense, they are *all* there to entertain; that is what festivals are for. Stephen Oxley performed virtually the whole of Sterne's *Tristram Shandy*, a fine two-hour feat of memory, suiting the action to the word to Hamlet's formula. David Neal read from the not-often recalled work of H.E.Bates, complete with Nottinghamshire accent. Margaret Wolfit, with lutenist Bill Badley, recited verse concerning Shakespeare's Dark Lady.

At a "poetry party" Gloucestershire poets Laurie Lee, P.J.Kavanagh and others read from their own works, and Kavanagh presented the year's Cheltenham Prize to Hilary Mantel for *Fludd*. Paul Bailey read from his autobiography, *An Immaculate Mistake*, and Miles Kington demonstrated for an hour his nimble comic art. Never happy to talk about his own work, Sir William Golding, with Peter Orr, resonantly read a selection of verse that began with "Adam lay ybounden" and ended with Golding. Peter Orr also gave a biographical talk, with slides, about John Betjeman.

Last Saturday brought an outstanding reading of their own poetry by Paul Muldoon, Joseph Brodsky and James Fenton (who for me is currently the best poet we have). I don't find Muldoon easy to absorb without the print; one of the objects of a festival like this is to expand ones appreciation, so I must try. Brodsky read both in English, with the faintest accent, and in Russian, and Fenton read the marvellous word-play of his verses with immense dramatic skill. On Monday, Adrian and Beattie Mitchell read Mitchell, and on Thursday, Danny and Joan Abse read Abse.

Two difficult poets were clarified by experts. P.J.Kavanagh gave an interesting hour on Ivor Gurney, whose work he has edited. Gurney went on writing in the asylum where he spent his last days, but some of the work is as good as the earlier work of his saner days, and Kavanagh explained some of the apparent clumsinesses. Germaine Greer dealt with Gay Clifford, who also had brain trouble but left much verse that Dr Greer has edited. Dr Greer began with a long, racy talk on the meaning of language, which led, not surprisingly, to some conclusions about men's unjustifiable superiority over women. There was also a talk by E.P.Thompson, which I missed, on the American Thomas McGrath.

There are Festival visitors who come only to see the novelists, and they were well catered for. Edna O'Brien told something of her life and read a short story, *Brother*, to everyone's delight. Penelope Fitzgerald spoke on the different problems of writing fiction and biography, and clocked up a vast number of questions from ladies in the audience. Fay Weldon was insistent on the need to create new situations and characters, not to go on with the familiar, however popular.

Writers did well in talking about other writers. Richard Ingrams, a potential Cobbett of our time, spoke with obvious affection on Cobbett. Julian Barnes was as amusing as erudite in his study of the assumed connection between art and disease, studying the cases of George Sand and her addiction to cigarettes, El Greco and his distorted figures, and Flaubert, who had both syphilis and epilepsy to deal with. There was a tripartite celebration of Virginia Woolf, by assorted experts Andrew McNeillie, Sue Roe and Lyndall Gordon.

Not purely literary were Fiona MacCarthy, who spoke on Eric Gill, with some interesting slides too badly projected to show significant details; and Lynne Segal on the progressive change of the masculine character. The Cheltenham Lecture, maintaining its left-wing character, was given by Howard Brenton on Sunday. One of his collaborators, Tariq Ali, was due to speak on Wednesday, but had to spend the evening adjusting the end of *Moscow Gold* for the RSC. Another collaborator, David Hare, is to come on Sunday.

This is a selection of the riches available in the first five days of the Festival. I will deal with the last four, Thursday to Sunday, in a day or so.

Walton's complaint

IN THESE days when no composer's or conductor's closet door is safe from prying eyes, Walton's rampant heterosexuality is no doubt just ripe for exploration. There was a hint of disapproval in Lewis Foreman's programme note for the CBSO's account of his First Symphony under Simon Rattle at the Barbican on Thursday, that great music should not be born of mundane matters like a change of partner: "One feels that so epic a musical structure must surely reflect greater issues than that – or should it?" The implication that *real* music should have its sights set much higher than waist level (leaving pop to take care of baser instincts no doubt) seems to me a thoroughly dubious one.

The fact remains that Walton's First, unquestionably his masterpiece and arguably the finest ever British symphony, is one of the most explicit declarations of sexual tension ever composed, a sometimes alarmingly direct mapping of emotional extremes. In a fine performance like Rattle's it packs an enormous macho punch, swaggering and explosive by turns. Everything about this account was right, apart from the pacing of the first movement which Rattle took too fast and attempted to apply extra tension where the music is perfectly capable of creating its own. The result was petulant rather than intense, without enough space for the great pedal points to expand and flower, and the movement's stature was commensurately reduced. The remainder though was perfectly judged – fierce angularity in the scherzo, wonderful woodwind playing in the slow movement (is there a better set of wind principals in the country than the CBSO's at the moment?) and a furious pace for the finale, making as good a case for its coherence as possible.

There had been little wrong with the earlier part of the concert either: a buoyant Haydn symphony, No 70 in D, a model of what a scaled-down symphony orchestra can still bring to a Classical symphony from which even the Berlin Philharmonic (remembering its Haydn in Glasgow last week) could profitably gain, and a perfectly elegant Mozart E flat Piano Concerto K482. The soloist was Imogen Cooper, who is quite peerless on such form as this; her articulation was balanced, her wit in the finale exquisitely timed, the slow movement a sequence of crystalline phrases, each building upon the eloquence of the last. It is hard to remember a Mozart performance of such completeness for a very long time.

Andrew Clements

Chess No. 843:
1 Qh6+. If now Ke7 2 Rc7+ Kd8 3 Qd6 mate. If 1 ... Kf7 2 Rc7+ Re7 (Kg8 3 Qg7 mate) 3 Qh7+ wins the rook. The game went 1 ... Kg8 2 Kh2! with the winning threat 3 Rg2+ Kf7 4 Rg7+ Kf8 5 Qh8+ or 5 Qh8+ and mates. If 2 ... Re7 3 Rc8+ Kf7 4 Rf8 mate.

The Craces: interior decorators of the past

WHEN THE decorator J.G. Crace transformed the Lower Library at Chatsworth in 1840, the delighted 6th Duke described it as "something between an illuminated manuscript and a café in the Rue de Richelieu". That description might equally apply to the set of an opulent exhibition in Brighton devoted to the Crace dynasty, decorators to the nobility, royalty and American millionaires for over a century.

Five generations of Craces were involved in the firm founded by the coach-painter turned house-painter Edward Crace in 1768, and dissolved by his great-great grandson in 1899. Its history serves as an at times barely believable barometer of late 18th and 19th century taste, recording the wildly fluctuating fashions for a gamut of exotic styles.

The show takes us from Edward's Rococo and neo-Classicism, through John and Frederick's Chinoiserie, J.G.'s Old French, Gothic, and Gothic Arabesque to J.D.'s Italian Renaissance, Francois Premier and Islamic. We begin in the Museum in the brilliant azure of a reconstruction of the Royal Pavilion's trellised South Gallery, and end up in the Pavilion proper, under a dome of 26,000 regilded cockle shells and painted glass lanterns, and encased by faux red and gold lacquer wall panels, temple bells and gleaming palmet dragons. This is the 1817 Music Room, Frederick Crace's most spectacular memorial and also his masterpiece.

One of the first exhibits is Gandy's charming watercolour of Soane's Breakfast Room at Lincoln's Inn Fields in which John Crace uses a device of a painted trellis and foliar vault to bring the garden outside the window into the dark house.

Soane, Henry Holland and Pugin all worked with the Craces. The collaborations at Carlton House and Brighton with Holland, and with Pugin in the 1840s, were to exert a strong influence over the character of the firm's output. The highlight of the museum display is the suite of elaborate marquetry and carved oak Gothic furniture designed by Pugin and supplied by the Crace workshops for Abney Hall in Cheshire.

Together, furniture, florid carpets, stencilling, the sumptuously gilded Gothic door, wallpaper and chandelier, reunited for the first time, create an effect of glowing richness characteristic of J.G. at his best.

It was the Victorian Craces, rather than their Georgian forebears, who put the family on the decorators' map. J.G. had set up a showroom in the Wigmore Street premises, and followed the advice offered by the first major client, the aforementioned Duke, to add upholstery and cabinet work to the business. Some 30 years later the firm was the foremost in Britain, employing some 101 men, and exporting designs, textiles, furniture and wallpapers across the globe.

It was also involved in the restoration of the Royal Pavilion, which had been sold to the City by Queen Victoria in 1850 and stripped of its contents. Today, its latest restoration and refurbishment is all but complete.

"The Craces: Royal Decorators 1768-1899" continues at the Brighton Museum and the Royal Pavilion until December 30. A book of the same title, edited by Dr Megan Aldrich, is published by the Museum and John Murray at £20 and £9.95.

Susan Moore

Alastair Muir

Ilona Linthwaite in Brodsky's play 'Democracy' at the Gate

Democratic move from the east

OF ALL the plays currently around about eastern Europe, Joseph Brodsky's *Democracy* at The Gate, Notting Hill, is far and away the wittiest that I have seen. Brodsky left the Soviet Union in 1972, long before Mikhail Gorbachev became centre stage. He is now a professor at an American university and says he has no intention of going back. Three years ago he won the Nobel Prize for literature. In politics he claims to have no great interest and said in an interview in last week's *Economist* that *Pravda* and *Izvestia* should be filled with Proust rather than endless speeches.

Politics, however, plainly intrigue him, as well as the meaning of words. *Democracy* takes place, and indeed breaks out, at a lunch party. It is rather an exclusive affair. at the head of the table is the head of state of a small east European state – a mixture of the Balkans and the Baltic. Also present are the finance minister, the minister of the interior and the minister of culture. Naturally the culture portfolio belongs to a woman: not the least merit of the play is that she seems to be neither a tart nor particularly corrupt. Played by Ilona Linthwaite, she is the sort of educated woman who would get on under any regime.

Together they eat grouse, there is caviar in the gravy, the dessert is water melon and there are Havanas to follow. "Fidel sent them," says the head of state, though he adds that Castro has stopped smoking them himself: "Cuba being an island, he can afford not to shave." The foreign minister is off on a trip to Japan, complaining that he is being made to eat raw fish.

By courtesy of British Telecom there is an array of of telephones along the wall: 13 beige, one red. It is the red one that rings as lunch is getting under way. The order comes from "himself" that democracy is to be introduced in half an hour. "Himself" is obviously whoever is in charge of the Soviet Union, though since the call comes from Georgia, it is left ambiguous whether it is Gorbachev of the foreign minister, Eduard Schevardnadze who is pulling the strings.

The rest of the play is a discussion of what democracy means. What kind of democracy – social, popular or some new kind not yet invented? "We must have free elections," says the finance minister, "for without them there can be no foreign investment." "Some democracy," is another comment: "More like a revolution from above." There is also the thought that the message from "himself" may be a hoax to see how the puppets react.

On the whole, they adapt quite easily. They remember the old national anthem that could be sung to the tune of "Oh my darling, Clementine," "Deutschland über Alles" or a popular operatic piece. It also goes with Sydney Bechet's "Petit Fleur". They sing the Bechet version. They also recall what the country used to export before 1945: bacon to Britain, cheese with caraway seeds and 16 varieties of eels. They will have to go back to it: they were after all an agrarian country; but it will be easier, one of the ministers says, when "himself" joins the common market.

There is one other character: the maid. She reacts to the lunchtime telephone call by steadily taking off her clothes until the end when she is naked. "That is to symbolise irreversibility," she claims. "After democracy there is nothing else. Democracy is natural."

Democracy is written in the lightest possible way. The lunch table is most elegantly set out, but it does not stop the ministers devouring the water melon with less than elegant manners. Only the head of state expects it to be cut with a knife. All the intellectual and social nuances of class, culture and manners in eastern Europe are there, including the ethnic slurs: "In Eurasia they only take a bath once a week."

Brodsky wrote the play, so the greatest credit must go to him. It requires, however, a perfect production to bring it off. This is what we have from a new company, Trystero Productions, directed by Matthew Lloyd. David Glover is outstanding as the minister of the interior, but the whole cast has a remarkable maturity and an ability to work together. The Gate is normally an interesting rather than a wholly rewarding place to visit; this time it has everything. *Democracy* runs till November 10.

Malcolm Rutherford

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HOW TO SPEND IT

Present problem? Just ponder these pages

*This year's Christmas catalogues offer ideas galore for the home shopper. **Lucia van der Post** leafs through the pick of the crop*

YOU WILL not be surprised to know that anybody who did not start their Christmas shopping as soon as the August bank holiday was over is already as late as the White Rabbit ever was — loved ones in far-flung places will be spending Christmas without presents from the UK, unless vast sums are spent on first-class mail. The good news is that in the UK there is still time to order from the comfort of your armchair. Here, then, are just some of the best of the catalogues around this Christmas . . .

Presents par excellence.

The General Trading Company, 144 Sloane Street, London SW1X 9BL. Tel. 071-730-0411. £1.
As always, a catalogue filled with the most desirable and seductive of goodies. From the candle wreath at £10.95 to grace the Christmas table, to the tulip and sheep metal hooks (£12.65 and £17.50 respectively) there is hardly a thing in the catalogue that most of us would not love. While The General Trading Company has always shown us beautiful things they have not always been cheap — this year even those with restricted budgets will find some things they can afford. There are enchanting painted tin trays from Chatsworth (£8.95), a beautiful creamy honeycomb box (£11.20), English lavender linen liners (£10.95), and for those who want to spend more there is a snowy-white quilted cotton bedspread (£81, single size) and a clean-lined coal-box (£44.95).

1 Shooting stick-cum-umbrella. In navy and green, it will support up to 350 lb. £32.25 from The General Trading Company.
2. Traditional clay pitcher from the Masvingo Province of Zimbabwe, £17.50 from Traidcraft.
3. Reproduction of a 19th century clock with a solid wood and brass surround and a diameter of 10½ ins, £39.95 from the V & A.
4. Wooden plane, one of a set of six wooden toys, average length 3½ in, which sells for £9.95 from World Wide Fund.
5. Needlepoint cushion with black background and rich traditional floral design, 33 cm square (ready-worked), £48., from The General *Trading Company.*
6. Sweet-scented puppy soap in its own wicker basket, 5½ in by 4 in, £3.45 from Guide Dogs for the Blind.
7. One of a series of charming cushions covers from Oxfam. Prices start at £5.95, this one is £11.45.
8. Hand-painted flowerbasket cast-iron doorstop, 21 cm high. £17.85 from The General Trading Company.
9. Cosmic Star Gazer for looking at the main stars and constellations, comes with a chart and full instructions, £17.95 from the V & A.
10. Mummy tin, 8 in long, based on a design from the 22nd Dynasty c. 800 BC. £4.45 from the V & A.
11. Hand-turned wooden beehive shaped string dispenser, £42.95 from Saville-Edells.
12. Careful reproduction of a pottery cat in bright yellow with pink and green flowers by Emile Gallé circa 1880. 330 cm high, £150 from The Pavilion Shop.
13. Send a 35 mm negative and you can have whatever you choose printed on to a wooden tray or tablemats. Tablemats £18 each, tray £95, from Eximious.
14. Little Owl life-size bird mobile, £6.95, one of a series from The Natural History Museum.
15. Battery-operated screwdriver, £9.99 from Peter Knight.

Barclay & Bodie, 7 Blenheim Terrace, London NW8. 071-328-7879. Free.
Small, folded sheet with drawings of some of the immense range of presents that Barclay & Bodie is famous for. Mainly enchanting (usually expensive) things for house and garden — leopard candlesticks, paisley throws, lovely rugs, hand-painted tin clocks, towel rails, pretty bibelots of one sort of another.

Saville-Edells, 25, Walton Street, London SW3. Free. Or from Saville-Edells at Simpson (Piccadilly) Ltd., Freepost 33 (WD283), London W1E 6YZ. 071-734-2002. Free.
Small selection of what the shop itself calls *objets extraordinaires* — that is a lot of things that seem to be have no other raison d'etre than to be given as "gifts", which does not mean to say that some of them do not have considerable charm. There are strange froggy bathroom pieces, photograph frames galore, *cufflinks shaped like* bullets and shot-gun cartridges, cushions and china boxes with sassy mottoes, and some toys — but best of all are the exceptionally elegant crackers (white and dark green, £25 for six) and a rather desirable hand-turned wooden beehive string dispenser (£42.95).

Eximious, 52 Jermyn Street, St. James's, London SW1 Y 5 LX and 10 West Halkin Street, London SW1R 8JL. Free.
Still reliably purveying its distinctive country-house style goodies — everything the would-be landed gentry could possibly desire from silver photograph frames to tray and table mats featuring their own ancestral pile (send a 35mm negative). *The* house for the monogrammed artefact, whether it be a wine glass or a luggage label, clothes carriers or a pewter ale jug.

Peter Knight, 45 London End, Beaconsfield, Bucks. HP9 2HP. 0494-675561. Free.
If you're really stuck in choosing a present for the man in your life, this is the place to look. Presents range from the really useful (like the travel pillow, £4.99 and the compact magnifying light, £8.99) to the really daft (the moustache set, £2.99 and the Sweeping Butler, £9.99). In between there is the golf ball monogrammer, (£7.99), the see-through pocketed beach bag (useful for storing all those essential accessories like suntan oil, Walkman, keys, sunglasses et al) and the compact travel mirror, £6.99.

Past Times, Wootton Business Park, Abingdon, Oxfordshire OX13 6LG. 0865-326111.
A good wallow in the heritage business — copies of Stone Age jewellery, celtic brooches, copies of bronze age ear-rings, goblets, medieval tapestries (woven on an old Jacquard loom, measuring 3 ft 3 ins by 2 ft 5 ins for £149.50), gargoyles, cherubs *et al.* Particularly nice, I thought, were the Jacobean Garden Tapestry Kit (£34.95 — really exceptionally pretty), the *Mary Queen of Scots Spoon* (silver-plated, £8.95), and a carved wooden angel shelf (£39.95).

The National Trust (Enterprises) Ltd., PO Box 101, Melksham, Wiltshire, SN12 8EA. 0225-705676.
Gets better every year — full of delectable things for house, garden and kitchen. Enchanting cast-iron doorsteps *I've featured before* (cockerel, £39.95, sheep £35), charming stationery box based on a hand-painted wooden box from the Chinese Dressing Room at Bickling Hall, Norfolk (£13.95), little chinas jars filled with hand cream (£9.95), and for children, old-fashioned paper dolls, doll house kits and wooden jigsaws.

Next Directory, 0345-100-500.
The great advantage this has over the other companies is that you can lift the telephone, order the goods and know that *they will be delivered, at your* convenience, within the next 48 hours — unless you live outside mainland UK or you have ordered something VERY large or valuable.

To get a directory you need to open an account and for £3 you get all the current directories — at the moment this consists of the main one and a supplementary Christmas one. Presents *mainly focus on fashion: some* gorgeous black and gold shorts which a teenager would love (£32.99) and a matching button-through halter top (£27.99), sandwashed silk shirts for men (£49.99) but also toys, jewellery, leather and a small selection of matt-black gadgets.

Jewels to sparkle in

N. Bloom & Son, 40 Conduit Street, London W1R 9FB. 071-629-5060. Free.
Antique jewellery to drool over. A neat, compact folding leaflet with every piece photographed in full-colour and shown in same-size. Everything from gorgeous pearls with brilliant antique clasps to lapis lazuli cuff-links. Not for bargain-hunters, but the place to look for real treats for those who have had a windfall.

Boodle & Dunthorne, 58 Brompton Road, London SW3. 071-584-6363. Free.
Some antique jewellery (like a pair of ear-rings with 16 carats worth of star cluster diamonds, £17,950) but mainly the place to look for classic modern pieces — pearl ear-rings, simple gold bracelets, animal brooches (teddy bears, leopards, horses etc), bold silver jewellery (starting as low as £15 and £20) and enamelled cuff-links.

Culture stocks

V & A Enterprises Ltd., Freepost, PO Box 46, Burton-on-Trent, DE14 1BR. Free.
Perhaps some of the nicest Christmas cards around, all of which can be ordered with over-printing. Quite a small and edited collection with enchanting Christmas present tags (£2.25 for 12), paper and Victorian-style crackers. On the present front there is a marvellous-looking Cosmic *Star Gazer ("Discover the* universe of stars", £17.95), a fine blue Egyptian cat, £9.95 and a particularly enchanting collection (to this adult anyway) collection of toys.

The Natural History Museum Collection, Harrington Dock, Liverpool X, L70 1AX. 051-708-8202. Free.
Excellent source of presents for the intelligent, inquisitive *child. There is an ingenious* sideways periscope, £13.50, books for birdwatchers, a floating globe (£99.50), a Brimfield Lens (in a beautiful wooden case: you turn the lens and see the world in multiple colourful images, £12.95), and a tiny high-quality microscope that fits in the pocket (£14.50). There are also some surprisingly beautiful things — a fine earthenware bowl *in delicate blues with* hand-painted whales (£49.50) and a strangely beguiling verdigris bud vase, £22.95.

The Pavilion Shop, 4/5 Pavilion Buildings, Brighton, BN1 1UR. 0273-603005. Free.
Small but exquisite with lots of impeccably tasteful books on subjects not a million miles from The Royal Pavilion, Brighton, posters (£3.50), a marvellously colourful Galle cat (£150) and some fine, if very traditional china.

Then there are charming cream stoneware mugs at £8.99 each, carpets and rugs, all made by Patterson, Flynn & Martin of New York (could nobody do them in the UK?) and some exceedingly expensive furniture (a crocodile settee for £5,700). There's also jewellery, scarves and, for anybody whose business affairs are still going well, a Paul Storr honey pot hand-made in silver with a glass liner, a copy of the original in the Banqueting room of the *Royal Pavilion* (£1,450).

Charity begins at Christmas

Oxfam, Oxfam Trading, Murdock Road, Bicester, Oxon OX6 7RF. 0869-245011. Free.
Possibly the best of all the charity catalogues,with a mix of everything from clothing from Katmandu, silver from Thailand, beads from Kenya, wooden boxes from Jamaica, rugs from Peru, leather from India, basketwork from Indonesia. Those who remember the early years of Oxfam wares will be amazed at the increasingly fine finish and skill workmanship. Gets better every year.

Countrywide Workshops Charitable Trust, 47 Fisherton Street, Salisbury, Wiltshire, SP2 7SU. No set charge but a donation of about £1 to cover printing and postage is expected.
Everything sold by catalogue or from the shop at 47 Fisherton Street is made by somebody either blind or otherwise disabled. Much of the merchandise is very country orientated in a rather sweetly old-fashioned way — tweed ties, straight tweed skirts, chunky pullovers and the like. There are also charming, sturdy old-fashioned brooms and brushes.

Guide Dogs For The Blind, PO Box 20, Tanners Lane, Barkingside, Ilford, Essex 1G6 1QQ. Free. 0268-779209.
Lots of doggy Christmas cards, calendars, mugs, T-shirts and the like but also a sweet puppy soap (£3.45), a doggy sweater (£31.95) and a miscellaneous collection of things like pens, vacuum flasks, oven gloves and the like. Not overly *exciting but a good source of* inexpensive presents as well as an excellent charity.

World Wide Fund For Nature, PO Box 49, Burton-on-Trent, Staffs, DE14 3LQ. 0283-512141. Free.
Lots of smallish, not too expensive presents that children and others on small budgets might well like to give each other, including some quite jolly stocking fillers. Besides the animal-orientated Christmas cards, there is recycled stationery, lots of choice in paper, crackers, candles and other decorations, as well as recycled scented drawer linings, leather wallets and satchels. Travellers to tropical climates might like the Mary Quant rainproof poncho (packs flat, £7.95).

Traidcraft, Kingsway, Gateshead, Tyne & Wear, NE11 ONE, UK. 091-491-0591. Free.
Much the glossiest and most sophisticated of the charity catalogues, it specialises in what it calls green and ethical goods and has a big range of recycled paper products. Lovely rugs and fabrics, wooden salad bowls,ikat dressing-gowns, blue and white china from China and some very attractive toys.

Save the Children, Mary Datchelor House, 17 Grove Lane, London SE5 8RD. 071-703-5400. Free.
Christmas cards galore, wrapping paper, personalised pencils and all the other Christmas standbys. Nothing wildly exciting but lots that is acceptable, as they say in the world of gifts. Kits for caring for cameras (£6.50), toys for kids of all ages and a rather grisly selection of "jewellery".

Tearcraft Ltd., 100 Church Road, Teddington, Middlesex. TW11 8QE. Free.
A Christian charity devoted to helping the world's needy. The usual medley of Christmas cards (which can be everprinted), ethnic jewellery and basketwork from needy countries but also some lacquerware, pottery and brassware. Plenty of choice and committed Tearcraft supporters should have no difficulty finding something for most of the people on their list.

For the kids

!Tridias! 124 Walcot Street, Bath. BA1 5BG. 225-469455. Free.
Quite simply the best of the toy catalogues, with everything from inexpensive party fillers (water flowers, 59p, baby Paddington, 99p, tiny die-cast car, 65p, egg-laying hen, 80p) to serious investment toys (*Victorian Shop Kit* £135, porcelain doll, £480) and lots of other things besides.

Good puzzles, lots of things to do (decorative paper-making kit, £14.99, papier-mache set, £8.99 and modelling material, from £4.60). Busy people with stockings to fill could order the party packs — 11 items for £4.50, 21 (less substantial) items for £2.49.

Mail order: know your rights

***Simon Hinde** of Which? magazine outlines the consumer's legal dues*

BUYING MAIL order sounds attractive — you can browse at your leisure, avoid the queues and crowds and the parcel-carrying — yet not everybody is keen on the idea. In part, this is probably due to the industry's rather down-market image — which may be changing. But part of the reluctance may be attributable to people worrying about their rights if things go wrong.

If the goods that you have ordered do not turn up, your first step should be to find out what has gone wrong. If the company has not sent them, it is in breach of contract and you can claim your money back. If it did send them and they got lost in the post, you may have a claim against the Post Office — but only if you or the mail order company can provide proof of posting. Sending the goods by registered mail or one of the other special letter services is one way of doing this.

If the goods turn up damaged, you should send them back promptly (delay could jeopardise your rights) and demand a refund. The company will probably agree to replace them free and it should also pay postage. Even if it refuses — which is unlikely — you have probably got a good legal case for claiming the money back, unless the mail order company can prove that the goods were not damaged when it sent them. In that case, you will have to claim against the carrier; once again, proof of postage is necessary.

Life gets more complicated if the company goes bust after you have paid your money. Ordinary customers get a raw deal in these circumstances. You are very unlikely to get all your money back — and could easily end up with nothing.

Prevention is better. Try to find a company that does not want the money in advance. If that is not possible, pay by credit card: provided the goods cost more than £100, you can claim the money back from the credit card company. This is called "joint liability" and is a useful but relatively little-known right under the Consumer Credit Act 1974. It applies to all breaches of contract: if the goods do not match their description or do not turn up at all, you can claim against the credit card company.

If you have ordered from an advertisement in a newspaper or magazine, you may well be covered by one of the mail order protection schemes. Check with the advertisement manager of the publication which carried the advert.

If you need the goods by a specific date (a birthday or Christmas, perhaps), make this clear when you place the order. Use the legal incantation "time is of the essence of the contract." If the goods do not turn up on time, you can then cancel and get your money back, plus any extra it may cost you to get the same things elsewhere.

Mail order rights are personal. If you buy a friend a birthday present by mail order and it turns out to be faulty, your friend has no claim against the company. *You* made the contract, so *you* have to sort things out. The only way round this is for you to assign your rights to your friend. You do this at the time you give the present, by handing your friend a note that says "I give you this present with all my Sale of Goods Act rights" — but you will probably consider this an inappropriate message for a birthday card. Be reassured that most manufacturers offer 12-month guarantees, which operate independently of your Sale of Goods Act rights.

Finally, although it may sound obvious, make sure that what you have ordered is really what you want. Once the company *accepts* your order (by acknowledging it or cashing your cheque), you are bound by contract to pay for the things that you have ordered.

SPORT

Oakland pitcher Dave Stewart, who lost the first game against Cincinnati

Baseball/Peter Riddell

Rose wilts as his Reds bloom

INMATES OF the Marion Federal Prison Camp, a minimum security jail in Illinois, are allowed to stay up late to watch major sports events like baseball's World Series. That is some consolation for prisoner number 01832-061, better known as Pete Rose.

Rose, who batted a record number of hits during more than two decades as a baseball star, was until 14 months ago the manager of the Cincinnati Reds, team which have so unexpectedly won the first two games of the World Series against the much tipped Oakland Athletics.

Rose is currently serving a five-month prison sentence for filing false tax returns. He was thrown out of baseball last year over allegations about his gambling on games. This has been the ultimate sin ever since the Black Sox scandal of 1919 when several Chicago White Sox players were bribed to throw games in the series against the Reds.

While Rose is far too substantial to be described as the ghost at the feast, he can seldom be forgotten. To get to Riverfront Stadium in Cincinnati, where the first two games were played, you go down Pete Rose Way.

In almost every interview preceding the series, Reds' players were asked about their former manager. The current team is largely Rose's creation: star pitchers Danny Jackson and Tom Browning, the ever-active shortstop Barry Larkin, and Eric Davis, the right-handed left-fielder whose bat seems a willowy extension of his arms. Davis's two-run homer in the bottom of the first inning of game one was the first sign that the A's would not have things their own way.

In Rose's four full seasons as manager, the Reds always finished second; current winning manager Lou Piniella has reaped the benefit. Yet baseball is also a matter of style. Rose was nicknamed Charlie Hustle for his uncompromising way of playing, most memorably charging headfirst into a base. Rose was not an obviously naturally talented sportsman. It was all hard work and effort – the local Cincinnati boy made good, a hero from Middle America.

As a manager, he communicated this competitiveness to his players. It is no coincidence that the Reds' highly successful relief pitchers are known as the Nasty Boys. The Reds play baseball aggressively. They take advantage of their opportunities.

Every-day players such as Billy Hatcher, now with his fourth team in seven years, have performed like superstars in this series, with seven hits in seven at-bats, plus two walks. Consequently, the tables have been turned on Oakland and their battery of superstars – pitchers Dave Stewart and Bob Welch, with 49 wins between them this season, ace reliever Dennis Eckersley, and an unequalled batting line-up of Rickey Henderson (always likely to steal a base), Carney Lansford, José Canseco and Mark McGwire (both the latter always home run threats), let alone Willie McGee, who joined the team in August after winning the National League batting championship.

> 'The very qualities that make athletes successful on-field also make them the kind of people we might not want to know off-field'

Under the acute leadership of Tony La Russa, this is the team which has won three American League pennants in a row, swept the San Francisco Giants in the earthquake-interrupted World Series last year, and squashed the Boston Red Sox in the minimum four games of the divisional play-offs earlier this month, limiting a strong-hitting line-up to only one run per game.

The Oakland A's have the look of champions – as much as Liverpool in English soccer. If one of their stars fails, another will shine. Dave Stewart, who won two of the four games against Boston, appears intimidating as he stares out from under his yellow and green cap. That look alone gives him an edge before his fastball flies towards the batter.

Before the series began, there was talk that the A's might continue their 10-game post-season winning streak and might even sweep the Reds. Yet last Tuesday night it was clear from the first inning that something was seriously wrong with Stewart. He lacked control. As many as 25 of his first 43 pitches were outside the strike zone, and he gave up four walks in four innings as well as four runs. The Reds took advantage of their luck.

The second game was closer, decided just before midnight in the 10th inning, when the previously unstoppable Eckersley gave up three hits.

The series restarted last night in Oakland with three games over the weekend. No-one would rule the battered A's out of the seven-game series. They have a lot to prove. There is a lot of pride to be restored. But for their fans, there are dreadful memories of two years ago when a similarly heavily tipped team was tripped up by the patched-together Los Angeles Dodgers and the devastating pitching of Orel Hershiser.

For all sports fans, this week has been a pleasant reminder of the hubris which faces sportsmen who become too confident. The A's have their fair share of braggarts. José Canseco's boasts about sweeping the series and the greatest team ever have rebounded.

Michael Sokolove, Rose's biographer, argued in the *New York Times* earlier this week that athletes should be admired for what they *do*. Indeed, the very qualities that make athletes successful on-field also make them the kind of people we might not want to know off-field. A top athlete, he wrote, does not survive without large elements of greed, selfishness and ego.

It is a pathetic fallacy that a star athlete or show business performer must be either likeable or generally admirable because of their specific talents. Pete Rose is only the latest in a long line of baseball stars who were far from pleasant individuals.

Rose is an example of the dangers of hero worship. He still has a couple of months more to reflect on that as he works in the welding section of the prison's mechanical services shop. A spokesman for Marion prison commented: "Pete is watching the series and rooting for the Reds." But for his greed and self-delusion, he could have been – and now never will be – the manager of a World Series-winning Cincinnati Reds team.

Tennis/John Barrett

Happy Ivan shows his teeth

LAST WEEKEND in Tokyo saw one of those historic moments in sport that go almost unnoticed. At first sight it did not seem significant that Ivan Lendl, the world's No 3, had won another title, his 88th in a professional career that started in 1979. But to do so he beat in succession the two men who had overtaken him on the ranking list – Stefan Edberg and Boris Becker.

That does not happen very often. When Steffi Graf did it in 1987 by beating Martina Navratilova and Chris Evert, the reigning No 1 and No 2, to win the Lipton tournament, she was only the third woman to achieve the feat since open tennis began in 1968. Come on, trivia buffs – who were the other two?

When I spoke to Ivan in Hong Kong this week, the delight was genuine as he smiled with a set of beautifully crafted molars. "Yes," he agreed, "it felt pretty good to beat the world's No's 1 and 2 on successive days. I don't think I've done that for about ten years – in fact when I was on the way up and Borg, Connors and McEnroe were at the top."

How well I remember the Lendl of those days. He was a thin, intense young man who did not smile too much, not just because he was embarrassed about his large, uneven teeth, but because life was too serious for wasting time on smiles. In the Czechoslovakia of those days, times were tough. The incentive for a young sportsman to work hard was considerable – it was one of the few ways you could obtain a visa for foreign travel.

In a career that has brought him nearly all possible honours, including three French Opens, three US Opens, the last two Australian Opens, five Masters titles and a Davis Cup winner's medal, plus riches beyond dreams. The men's singles at Wimbledon is the one crown he has never worn.

There have been other great players who were similarly denied. In modern times two outstanding ones come to mind – Ken Rosewall, who was four times a finalist over a remarkable span of 20 years from 1954 to 1974, and Pancho Gonzales, who turned professional when he was 21, long before he reached his peak to become the dominant player of the '50s.

With Lendl, Wimbledon has become a bit of an obsession and he knows he has sacrificed his No 1 ranking in pursuit of this holy grail. It is difficult for a man who has taken professionalism to a new dimension to understand why he has not succeeded. Certainly the preparation this year was thorough: a month spent with coach Tony Roche on grass in Australia during the European clay season before an early arrival in England to acclimatise.

"I felt I was playing well at Queen's to beat John (McEnroe) in the semis and Boris in the final," he says. "But the grass there is firmer and the ball bounces higher than at Wimbledon. Perhaps I must find some softer courts to train on. I still feel I am capable of winning it. Next year, though, I shall play some of the European tournaments up to the Italian Open and decide then whether or not to play the French. It is a delicate balance between getting enough match play and not taking too much out of yourself physically."

This has always been the problem with only a two-week gap between Paris and Wimbledon, which is why there has been talk of Wimbledon being staged one week later. In the present climate, however, this is unlikely – not because the majority of players do not want it but because of the pressure from US tournament directors on their representatives on the ATP Tour board which arranges the calendar.

Returning to Hong Kong this week for the Marlboro championships was a nostalgic occasion for Ivan. It was here in 1980, as a young professional aged 20, that he had won for the first time on hard (cement) courts. This was the sixth success of his first winning season and the start of a glittering career. It is another memory we share, and I reminded him of his delight that October day when he unexpectedly beat the tall American Brian Teacher. "Yes, it was nice to discover that my ground strokes worked as well on hard courts as they always did on clay," he replied.

Ground strokes were much on Lendl's mind this week. "The thing about Tokyo that pleased me was that I beat Stefan and Boris even though the court was lightning fast. When I played my first match I thought it would be impossible but I got my timing back and hit some great returns. I was serving very well, and that made it difficult for them. If I had played like that in Sydney the previous week (where he lost to Edberg in the semi-finals), I'd have won there too, but I needed the matches. That was my first tournament since the US Open."

Clearly Ivan wants that No 1 ranking back. I suppose when you have been the wold's best at something, it irks you to think that you have been ousted by men you are still capable of beating. And remember – from 1985 to 1988 Lendl sat atop the ATP computer rankings for 156 straight weeks, only three weeks short of the record Jimmy Connors set between July 1974 and August 1977.

Here in Hong Kong, Ivan is a relaxed and happy man. His lovely wife Samantha and their five-month-old daughter are with him. Marike has added a new dimension to his life. "When she throws up her little arms to me and gurgles a smile of recognition, well that's a rather special feeling."

With financial security, a mansion in Connecticut, a growing family, a collection of modern Czech art, an interest in breeding German shepherd dogs (he has a pack of six that guard the home), and some sizeable investments to manage, there is plenty to keep him busy. There is also a growing passion for golf.

"It was great spending six weeks together at home. I got out on the course at Stanwich every day and took some lessons and now my handicap's down to five. Would you like to play a round for $100?." I declined the invitation.

In this mood I see no reason why Ivan Lendl cannot once more officially become the world's No 1. As a matter of fact, I suspect he already is.

The answer to the trivia question: Tracy Austin in 1981 and Hana Mandlikova in 1985. Were you right?

Racing/Kieran Cooke

A wake for The Park

ARTHUR was not on the best of form at last Saturday's Phoenix Park race meeting. The horse we had backed seemed to have lost its way somewhere between paddock and starting post. On top of that, Arthur was troubled with gout.

"I went to the doctor the other day. 'Tell me,' says he. 'How many cigarettes do you smoke in a week?'

"'Sixty-seven,' says I.

"'Sixty-seven? That's a very precise figure. How exactly do you arrive at that particular number?'

"Well, says I (here there is a large wink of a bloodshot eye). I have 67 large vodka reds each week and I have a cigarette with each."

Arthur is a Dubliner, a punter who for years has faithfully followed the horses at Phoenix Park. But no more. Last Saturday saw Phoenix Park's last meeting – unless an Irish miracle can stop the developers moving in.

Arthur was scathing about the big crowd that turned up to the funeral at "The Park."

"Look at them," said Arthur, peering at a crowd of elegantly-dressed racegoers, men in regulation green trilbies, women holding on to their hats in the breeze. "That lot would never bother to come to an ordinary race meeting. They've only come today to gawp at each other. Fur-coat-and-no-knickers jobs, the lot of them."

Phoenix Park is handily placed. You could walk there from work and totter back home. Started in 1902 by a gambling English vet who escaped to Ireland to avoid his creditors, The Park has had its ups and downs. It has closed down before. Patrick Gallagher, a banker-cum-property-developer now serving time for fraud, owned the course in the '70s. When Gallagher's business empire went bust in 1982 a syndicate led by Robert Sangster and Vincent O'Brien bought the course. But as the fortunes of the Sangster-O'Brien team – once the world's leading racing partnership – declined, so did those of The Park.

Though the Irish are one of the world's great punting peoples, there are too many racecourses in the country – 28 of them catering to the needs of about 1m regular racegoers. In Britain there are 58 race courses for 5m regular punters.

Attendances at Phoenix Park fell. Very little of the proceeds from betting in Ireland is put back into the tracks. The Sangster-O'Brien syndicate has been forced to put Phoenix Park on the market, and the sound of the developers' concrete mixers can already be heard.

We retreated to the tent where Cartier, sponsor of the big race, was ladling out champagne. Inside the atmosphere was hotting up. Finbar, once one of London's most famous Irish publicans, had arrived, along with champagne reinforcements.

"Let's face it," said Finbar, "the Irish are much better at closing things down than opening them up. We always enjoy a good wake most of all."

He should know about such things. His family once ran, along with a bicycle shop, a hairdresser's and a haberdashery, a funeral business. Meanwhile, Arthur was placing bets for the big race, the Cartier Million.

In the depths of the previous night, a tipster had cornered us. "Haemorrhoid," said the dark voice. "In the big race. It can't go wrong. As sure as I'm standing here," (he swayed). Haemorrhoid – real name Hamaoryad – out of Fairy King and Clifden Bottoms, was an outsider.

"With a name like that you've got to be either a complete eejit or a big winner," said Arthur. He transferred his money from the fancied Rinka Das to Hamaoryad. Rinka Das won. Hamaoryad was lost in the gathering blackness.

There comes a moment in any well-oiled racing programme when the horses become a trifle insignificant. Arthur was having a heated exchange with a man who had asked him how long his tailor had been on drugs. Arthur is a finicky dresser and does not enjoy quips concerning his sartorial habits, even though his jacket looked like an explosion in a crayon factory.

Finbar was telling a story about a regular at his pub who used to get his language a bit confused. "'I have the flu,' says he. 'I find it not very conjugal to work.'"

The cold air outside and the hot air inside was making the tent billow dangerously. The bar was running dry as the Cartier largesse reeled under the massed attack of the racing public. Someone somewhere was playing *The Last Post*. "Should we move out to the champagne bar and drink to Haemorrhoid?" said Arthur.

The question was, of course, an academic one.

TELEVISION & RADIO

SATURDAY

†Indicates programme in black and white

BBC1

7:30 am Paddington Bear. 7:35 Babar the Elephant. 8:00 Breakfast Serials. 8:35 Bravestarr. 9:00 Going Live! 12:12 pm Weather.

12:15 Grandstand featuring 12:20 Boxing: Michael Nunn (USA) v Donald Curry (USA) for IBF World Middleweight Championship and Tom Collins (GB) v Pierre-Frank Winterstein (Fr) for the European Light Heavyweight Championship; 1:00 News; 1:05 Snooker (Rothmans Grand Prix); 2:00 Boxing; 2:30 Motor Racing (Mobil 1 Rally Challenge); 2:50 Racing (The Grand Pardubice in Czechoslovakia); 3:10 Water Ski Racing; 3:30 Snooker; 3:50 Football; 4:00 Snooker; 4:40 Final Score.

5:00 News. 5:10 Regional News and Sport. 5:15 Stay Tooned! 5:40 The Noel Edmonds Saturday Roadshow. 6:25 Every Second Counts. 7:00 Russ Abbott. 7:30 In Sickness and in Health. 8:00 All Creatures Great and Small. 8:50 News and Sport. 9:10 "The Gladiator School" (TV film). 10:40 Ben Elton 11:20 Film: "The Boys in Company C". 12:45-12:50 am Weather.

BBC2

8:00 am Open University. 10:40 Look, Stranger. 11:05 Woodhouse Roadshow. 11:40 Art of Travel. †11:50 The Honeymooners. †12:15 pm "Lucky Partners" starring Ginger Rogers. 1:50 Berliners. 2:20 The 'Slap' Maxwell Story. 2:50 Mahabharat. 3:25 "Slaughter Trail" starring Brian Donlevy and Gig Young.

4:40 Snooker: Rothmans Grand Prix. 5:10 Mexico Viva. 5:35 Late Again. 6:20 Newsview. 7:05 The Ring of the Nibelung (*with Radio 3*): with Act 2 of 'The Valkyrie'. 8:50 Saturday Night Clive. 9:35 Moving Pictures. 10:25 Snooker: Climax of the semi-finals of the Rothmans Grand Prix. 12:00-12:40 am Film: "The Grandmother".

LONDON

6:00 am TV-am Breakfast Programme. 9:25 Children's ITV: Motormouth. 11:30 ITV Chart Show. 12:30 pm Posh Frocks and New Trousers. 1:00 ITN News, National Weather. 1:05 Local News and Weather. 1:10 Saint & Greavsie. 1:40 Sportsmasters. 2:10 Rags to Riches. †3:10 "Beyond the Curtain" starring Richard Greene, Eva Bartok and Marius Goring. 4:45 Results Service. 5:00 ITN News, national weather. 5:05 Local News, weather. 5:15 Disney Cartoon Time. 5:25 New Adventures of Black Beauty. 5:55 Catchphrase. 6:25 Blind Date. 7:25 Beadle's About. 7:55 Stay Lucky. 8:55 ITN News and Sport, national weather. 9:15 Local Weather. 9:20 "Rent-a-Cop" starring Burt Reynolds, Liza Minnelli and Dionne Warwick. 11:05 Desperado.

CHANNEL 4

7:20 am News Summary. 7:25 International Times. 8:00 Transworld Sport. 9:00 News Summary. 9:05 Channel 4 Racing: The Morning Line. 9:25 Sing and Swing. 9:30 Same Difference. 10:00 Check Out. †10:30 "Love Finds Andy Hardy". 12:15 pm All the Queen's Horses. 12:30 Red 42. 1:00 Orphans of Minsk. 2:00 Why'd the Beetle Cross the Road. 2:10 Channel 4 Racing from Newmarket. 5:10 Brookside Omnibus. 6:30 Right to Reply. 7:00 The World This Week. 8:00 Going Wild. 9:00 L.A. Law. 10:00 Film on Four: "Bread" (English subtitles). 11:40 Paul Simon – Rhythm of the Saints. 12:10 am Snoops. 1:05 The Story of Fleetwood Mac.

S4C WALES

As Channel 4 except:
10:00 am Opinions. 10:30 Hard News. 11:00 Check Out. 11:30 Gardener's Calendar. 12:00 Sumo. 12:30 pm Red 42. 6:30 Newyddion. 6:40 Siac Yn Dynn. 7:10 Cylle Syw. 8:10 Y Maes Chwarae. 9:20 Inspector Morse. 11:20 Silhouette Art of Lotte Reiniger.

IBA Regions as London except at the following times:

ANGLIA

12:30 pm Here Come the Double Deckers. 2:10 The A-Team. 3:05 Movie Go Round: "Carry On Sergeant".

BORDER

12:30 pm Supercross (UK Open). 2:10 The Spectacular World of Guinness Records. 2:40 Rugby League live: Warrington v Oldham.

CENTRAL

12:30 pm Just Champion. 2:10 Coronation Street. 3:05 "Beyond This Place" starring Van Johnson, Vera Miles and Emlyn Williams. 11:05 "Of Pure Blood" starring Lee Remick and Patrick McGoohan.

CHANNEL

12:30 pm TVS Sea Angling Championships. 2:10 Hard Time on Planet Earth. 3:05 "For the Love of Ada". 11:05 World Championship Boxing. 11:55 Desperado.

GRAMPIAN

12:25 pm Le Duranchd. 12:30 Am Faisach. 2:10 Coronation Street. 3:05 Saturday Matinee – "Carry on Sergeant" starring Kenneth Williams, William Hartnell and Bob Monkhouse. 4:45 Scotsport Results. 5:10 Criomagan.

GRANADA

12:30 pm Here Come the Double Deckers. 12:55 Max, the 2,000 year old mouse. 2:10 Spectacular World of Guinness Records. 2:40 Rugby League live: Warrington v Oldham.

HTV

12:30 pm The World of Golf. 2:10 Coronation Street. 3:05 "The Love Lottery" starring David Niven 11:05 "Bite the Bullet" starring Gene Hackman, Candice Bergen and James Coburn.

HTV WALES as HTV except:
11:05 pm Rugby Round-Up. 12:05-1:30 am "The Face of Fear" starring Ricardo Montalban, Elizabeth Ashley and Jack Warden.

SCOTTISH

12:30 pm Huckleberry Finn and His Friends. 2:10 Coronation Street. 3:05 "The Big Trees" starring Kirk Douglas. 4:55 Scotsport Results. 11:05 Family Theatre. 12:00 The Concert.

TSW

12:30 pm South West Week. 2:10 Coronation Street 3:05 "Eat My Dust" starring Ron Howard.

TVS

12:30 pm International Sea Angling. 2:10 Hard Time on Planet Earth. 3:05 "For the Love of Ada" starring Irene Handl and Wilfred Pickles.

TYNE TEES

12:30 pm Posh Frocks and New Trousers. 2:10 The A-Team. 12:10 "Dentist in the Chair" starring Bob Monkhouse, and Kenneth Connor.

ULSTER

12:30 pm Huckleberry Finn and His Friends. 2:10 The A Team. 3:05 Feature Film: "Beyond This Place" starring Van Johnson, Vera Miles and Bernard Miles.

YORKSHIRE

12:30 pm The World of Golf. 2:10 Coronation Street. 3:05 "Who's Minding the Store" starring Jerry Lewis.

BBC RADIO 2

(S) Stereo on FM
5:05 am Ronnie Hilton with Sounds of the 50s. 8:05 Brian Matthew with Sounds of the 60s. 10:00 Anne Robinson. 12:05 pm Gerald Harper. 1:30 The News Huddlines. 2:00 Robin Ray on Record. 3:30 Gerry Anderson live 4:45 Ena Baga on the Wurlitzer. 5:00 Cinema 2. 5:30 Junkin's Jokers. 6:00 Country Greats in Concert. Glen Campbell. 7:00 Beat the Record. 7:30 Classical Favourites. 9:30 Easy Does It. 10:00 Radio 2 Arts Programme 12:05 am Cinema 2. 12:30 Pop Score. 1:00-4:00 Night Ride.

BBC RADIO 3

7:00 am Morning Concert. 8:30 News. 8:35 Chopin. Edith Vogel (piano) plays the 24 Preludes Op 28. 9:30 Saturday Review. 12:55 pm Words with philosopher Anthony Grayling.

1:00 News. 1:05 Piano Trios by Mozart (K 502 in B flat) and Brahms (Op 101 in C minor) played by David Golub (piano), Mark Kaplan (violin) and Colin Carr (cello). 2:35 The BBC Symphony Orchestra at 60. Vaughan Williams (Tallis Fantasia, conducted by Sargent), Tippett (Suite from 'New Year', conducted by Andrew Davis) (2:40 The orchestra's involvement with British music under various musical directors is discussed.) 3:50 Elgar (Symphony No 2, conducted by Boult).

4:00 Tuning Up. Chris de Souza talks to the young clarinet quartet 'No Strings'. 5:00 Jazz Record Requests. 5:45 Third Opinion. 6:30 Szymanowski. Philip Jenkins (piano) plays mazurkas and etudes. 7:05 The Ring of the Nibelung (*with BBC2*): The Bavarian State Opera production of Wagner's operatic cycle continues with Act 2 of 'Die Walküre'. 8:50 Australian String Quartet. Mozart (Quartet in D, K 155), Beethoven (Quartet in E flat Op 74), Mozart (Quartet in B flat, K 458).

10:00 Issues. Last Wednesday's 'Third Ear', in which Philip Brady chaired a discussion of the implications of reunification for German art and culture. 10:25 "Destiny", Janacek's opera 'Osud' sung in English in a Welsh National Opera performance conducted by Sir Charles Mackerras. 12:05-12:05 am News.

BBC RADIO 4

7:00 am Today. 9:00 News. 9:05 Sport on 4. 9:30 Breakaway. 10:00 News; Loose Ends (s). 11:00 News; The Week in Westminster. 11:30 From Our Own Correspondent. 12:00 Money Box. 12:25 pm The News Quiz (s). 12:55 Weather.

1:00 News. 1:10 Any Questions? 1:55 Shipping Forecast. 2:00 News; Any Answers? 2:30 Saturday Playhouse: 'The Skull Beneath the Skin'. P D James thriller adapted in two parts, starring Greta Scacchi (*Part two tomorrow*). 4:00 News; Looking Eastwards to the Sea (s). 4:30 Science Now. 5:00 Largely Walters. 5:25 Week Ending. 5:50 Shipping Forecast.

5:55 Weather. 6:00 News; Sports Round-up. 6:25 Citizens. Omnibus Edition (s). 7:10 Stop the Week with Robert Robinson (s). 7:45 Classic Serial: The Forsyte Chronicles (s). 8:45 Tough Cookies. 9:10 Music in Mind (s). 9:50 Ten to Ten (s). 9:59 Weather. 10:00 News. 10:15 Open Mind. 10:45 Writers on Blue Paper. 11:00 Richard Baker Compares Notes with string players Mayumi Fujikawa and Nobuko Imai (s). 11:30 The Sit-Crom (s). 12:00-12:30 am News.

BBC RADIO 5

6:00 am World Service. 6:30 Morning Edition. 9:02 On Your Marks. 12:00 Sport on 4 Plus 1. 12:30 pm Sports Call. 1:00 Sport on 5 including Football (Barclays League First Division reports and second-half commentary); Racing from Newmarket; Rugby Union (Courage League); plus Snooker, Golf and Motor Racing. 6:00 Sports Report. 6:05 As Radio 4. 10:00 Sport. 10:15 As Radio 4. 11:00 Sport. 11:10 World Service. 12:05-12:10 am Sport.

SUNDAY TELEVISION

†Indicates programme in black and white

BBC1

8:45 am Through the Garden Gate. 9:15 Inigo. 9:30 This is the Day. 10:00 A Vous La France! 10:25 Espana Viva. 10:50 You and 92. 11:25 Business Matters. 11:50 Help Your Child with Reading. 12:05 pm See Hear! 12:30 Country File. 1:00 News: On the Record. 2:00 EastEnders. 3:00 "North West Frontier" starring Kenneth More and Lauren Bacall.

5:05 The Clothes Show. 5:30 Hearts of Gold. 6:15 Sum Chance. 6:25 News; weather. 6:40 Songs of Praise. 7:15 Last of the Summer Wine. 7:45 Howards' Way. 8:30 Bread. 9:05 News. 9:20 Screen One Film: "Survival of the Fittest." 10:35 Heart of the Matter. 11:10 The Days and Nights of Molly Dodd. 11:35 Into Print. 12:05 am The Sky at Night. 12:25 Mahabharat. (*In Hindi with subtitles.*)

BBC2

7:35 am Playdays. 7:55 Is That a Fact? 8:10 Pinocchio. 8:30 Animal Album. 8:45 Lit'l Bits. 9:10 Corners. 9:30 Dungeons and Dragons. 9:55 Blue Peter Omnibus. 10:40 Uncle Jack...and Operation Green. 11:10 Boxpops. 11:50 The O-Zone. 12:05 pm "Honeymoon" starring Anthony Steel 1:35 Grand Prix. The Japanese Grand Prix live from Suzuka. 3:00 Snooker: the final of the Rothmans Grand Prix. 5:00 Rugby Special 6:00 Juke Box Jury.

6:35 The Money Programme. 7:15 The Trials of Life. 8:05 Nippon. 8:55 Snooker. Final 10:35 "One from the Heart" starring Frederic Forrest, Teri Garr, Nastassia Kinski and Raul Julia. 12:15 am Snooker. (*Conclusion of the final*). 1:00 Dance Energy. 1:40 Rapido.

LONDON

6:00 am TV-am Breakfast Programme. 9:25 Children's ITV: The Disney Club. 10:45 Link. 11:00 Morning Worship. 12:00 The Human Factor. 12:30 pm The Care Bears. 12:40 Crime Monthly Update. 12:55 Local News and Weather. 1:00 ITN News, National Weather. 1:10 Walden. 2:00 "Kaleidoscope" starring Warren Beatty and Susannah York. 4:00 The London Match. 5:00 Princess Royal in The Caribbean. 5:30 Sunday Sunday. 6:30 ITN News, National Weather. 6:35 Local News and Weather. 6:40 Appeal: Water Aid. 6:45 Highway. 7:15 Close to Home.

7:45 The Ruth Rendell Mysteries. 8:45 ITN News, national weather. 9:00 Local Weather. 9:05 London's Burning. 10:05 Hale and Pace. 10:35 The South Bank Show. 11:35 Comics, the Ninth Art. 12:10 am ITV Chart Show.

CHANNEL 4

6:00 am Transworld Sport. 7:00 Gardeners' Calendar (Autumn II). 7:30 Once Upon a Time...Life. 8:00 Dennis. 8:30 Bobobobs. 9:00 Early Bird. 9:25 Orientations. 10:00 A Week in Politics – Second Reading. 10:45 Dennis. 11:00 Owl TV. 11:30 Grim Tales. 11:45 The Astrology Show. 12:00 The Waltons. 1:00 pm Land of the Giants. 2:00 "The Night My Number Came Up" starring Michael Redgrave Sheila Sim, Denholm Elliott and Michael Hordern. 3:45 Mr Magoo. 4:00 Dominic and the Skyscraper. 5:30 News Summary and Weather followed by Road to Avonlea. 6:30 The Cosby Show. 7:00 Equinox: The Mind Benders. 8:00 American Football. 9:30 The Media Show. 10:15 Hollywood Mavericks: "Melvin and Howard." 12:00 Tribute to Paradjanov: "Legend of the Suram Fortress"

S4C WALES

As Channel 4 except:
10:45 am Land of the Giants. 11:45 Astrology Show. 12:55 pm Now You're Talking. 1:30 O Bedwar Ban. 1:30 Bwrw Mlaen. 2:00 Equinox. 3:00 Going Wild. 14:00 Feature Film: "The Crazy World of Laurel and Hardy."

6:30 Sportraits. 7:00 Spanish Peanuts. 7:05 Newyddion. 7:10 Gwyndryn. 8:00 Hel Straeon. 8:30 Dechrau Canu, Dechrau Canmol. 9:00 Gwynfor. 9:45 American Football. 11:15 Snooker: Grand Prix Rothmans.

IBA Regions as London except at the following times:

ANGLIA

12:30 pm Farming Diary. 2:00 Members Only. 2:25 Anglia Soccer Special. 3:25 McCloud. 4:25 Cartoon Time. 4:35 The Princess Royal in the Caribbean. 5:05 Highway to Heaven. 6:00 Bullseye. 11:35 Prisoner: Cell Block H.

BORDER

12:30 pm Here come the Double Deckers. 2:00 "Tommy the Toreador" starring Tommy Steele. 3:35 The Princess Royal in the Caribbean. 4:05 Coronation Street. 5:30 Scotsport. 6:00 Bullseye. 11:35 Prisoner: Cell Block H.

CENTRAL

12:30 pm Gardening Time. 2:00 The Princess Royal in the Caribbean. 2:25 "Florence Nightingale" starring Jaclyn Smith, Timothy Dalton, Claire Bloom and Jeremy Brett. 5:05 Bullseye. 5:35 The A-team. 11:35 Prisoner: Cell Block H.

CHANNEL

12:30 pm Reflections. 12:35 Les Français Chez-Vous. 12:45 Tele-Jornal. 12:50 Cyril Fletcher's TV Garden. 2:00 Highway to Heaven. 2:55 "To Catch a Thief." 5:30 Spectacular World of Guinness Records. 6:00 Bullseye. 11:35 The Human Factor. 12:05 am New Avengers.

GRAMPIAN

10:45 am The Fantastic Four. 11:15 Let's Rejoice. 11:45 Link. 12:00 pm Jack Thompson Down Under. 2:00 Triumph of the Nomads – Part Three. 3:00 Spectacular World of Guinness Records. 3:30 The Princess Royal in the Caribbean. 4:00 World of Golf. 4:30 Bullseye. 5:00 Scotsport. 6:00 Scotland's War. 11:35 Prisoner: Cell Block H.

GRANADA

12:30 pm Granada This Week. 2:00 Richmond Hill. 2:35 First Division Special. 4:10 New Candid Camera. 4:35 The Princess Royal in the Caribbean. 5:05 All Clued Up. 5:35 Coronation Street. 11:35 Prisoner: Cell Block H.

HTV

12:30 pm Spectacular World of Guinness Records. 2:00 West Country Farming, Weather for Farmers. 2:30 HTV Newsweek. 12:53 "Carry on Constable" starring Sidney James, Eric Barker Kenneth Connor and Charles Hawtrey. 4:30 Highway to Heaven. 5:30 The Princess Royal in the Caribbean. 6:00 Bullseye. 11:35 Prisoner: Cell Block H.

HTV WALES as HTV except:
12:30-12:55 pm Survival. 2:30-2:55 The Spectacular World of Guinness Records.

SCOTTISH

10:45 am Glen Michael's Cartoon Cavalcade. 11:15 Link. 11:30 Sunday Service. 12:30 pm The God's of War. 2:00 Scottish Supplement. 2:30 The Princess Royal in the Caribbean. 3:00 The New Avengers. 4:00 Baywatch. 5:00 Scotsport. 6:00 Scotland's War. 11:35 Off the Page. 12:05 am Taxi.

TSW

12:30 pm Farming News. 2:00 Here Come the Double Deckers. 2:25 Jim Henson Presents Mother Goose Stories, Gus Honeybun's Magic Birthdays. 2:40 The A-Team. 3:35 The Princess Royal in the Caribbean. 4:05 "Arabesque" starring Gregory Peck and Sophia Loren. 6:00 Bullseye. 11:35 Murphy's Law. 12:30 am Quiz Night.

TVS

12:30 pm TVS News. 12:52 Agenda. 12:58 TVS Weather and Farming Weather. 2:00 Highway to Heaven. 2:55 "To Catch a Thief" starring Cary Grant and Grace Kelly. 5:30 Spectacular World of Guinness Records. 6:00 Bullseye. 11:35 The Human Factor. 12:05 am The New Avengers.

TYNE TEES

12:25 pm Country Matters. 2:00 The Princess Royal in the Caribbean. 2:30 The Back Page. 3:00 "The Pleasure of His Company" starring Fred Astaire and Debbie Reynolds. 5:05 All Clued Up. 5:35 Coronation Street 11:35 The Silk Road.

ULSTER

12:30 pm Gardening Time. 2:00 Money Talks. 2:30 The Spectacular World of Guinness Records. 2:55 First Division Special. 4:05 Red Nine. 4:35 The Princess Royal in the Caribbean. 5:05 All Clued Up. 5:35 Coronation Street. 11:35 Prisoner: Cell Block H.

YORKSHIRE

12:25 pm Goals on Sunday. 2:00 "The Long Ships" starring Richard Widmark, Sidney Poitier 4:20 Cartoon Time. 4:35 The Princess Royal in the Caribbean. 5:05 Hard Time on Planet Earth. 6:00 Bullseye. 11:35 Scrumdown.

BBC RADIO 2

(S) Stereo on FM
7:30 am Don Maclean 9:05 Richard Baker 11:00 Radio 2 All-Time Greats 2:00 pm Benny Green. 3:00 Alan Dell 4:00 The Radio Orchestra Salutes. 4:30 Sing Something Simple. 5:00 Charlie Chester. 7:00 John Lawrenson 8:00 The Light Brigade. Jack Brymer introduces music by Noel Coward, the Beatles and Gershwin. 8:30 Sunday Half-Hour. 9:00 'Your Hundred Best Tunes'. 10:05 Radio 2 Arts Programme. 12:05 am Robin Ray on Record. 1:00-4:00 Night Ride.

BBC RADIO 3

7:00 am Morning Concert. 8:30 News. 8:35 Handel's Chandos Anthems. 9:15 A Time of Gifts. 10:15 Music Weekly. 11:00 Decade by Decade: 18th-century music. 1830-1840. 12:45 pm Table Talk.

1:00 News. 1:05 Your Concert Choice. 2:00 Chamber Music from Birmingham: Tatyana Nikolaeva (piano): Tchaikovsky (Sonata in G Op 37) (3:10 Interval Reading) 3:15 Stravinsky (Serenade in A), Scriabin (2 Pieces for left hand Op 9); Waltz Op 38; Poems tragiques). 4:05 BBC Welsh Symphony Orchestra: Wagner (Prelude and Liebestod), Berwald (Symphonie singulière). 5:05 Listening to Stravinsky (talk by Michael Hall). 6:00 Faith of Our Fathers. Readings from Christians who died in the Tower of London, with choral music. 7:00 Fritz Kreisler. 7:30 Sunday Play: 'The Crucible.' The 1984 radio production of Arthur Miller's. 9:35 BBC Scottish Symphony Orchestra conducted by Jerzy Maksymiuk: Xenakis (Synaos), Penderecki (Intermezzo), Shostakovich (Symphony No 1). 10:35 Lufthansa Festival of Baroque Music. Kuijken Quartet: Bach (Trio Sonata No 1 in G), Buxtehude (Trio Sonata in B flat Op 1 No 4), Goldberg (Trio Sonata in C) (11:10 Interval Reading) 11:15 Bach (Flute Partita in A minor), Leclair (Duxieme recreation de musique). 12:00-12:05 am News.

BBC RADIO 4

7:00 am News. 7:10 Sunday Papers. 7:15 On Your Farm. 7:40 Sunday, including 7:55 Weather. 8:00 News. 8:10 Sunday Papers. 8:50 Appeal by Rabbi Lionel Blue on behalf of the Disabled Living Foundation. 8:55 Weather. 9:00 News. 9:10 Sunday Papers. 9:15 Letter from America by Alistair Cooke. 9:30 Morning Service (s). 10:15 The Archers. 11:15 News Stand. Nigella Lawson reviews the periodicals. 11:30 Pick of the Week (s). 12:15 pm Desert Island Discs (s). 12:55 Weather. 1:00 The World This Weekend. 1:55 Shipping Forecast. 2:00 Gardeners' Question Time. 2:30 Sunday Playhouse (s). 4:00 News; Analysis. 4:47 Time for Verse. 5:00 News; Down Your Way. 5:40 The Finer Things. 5:50 Shipping Forecast. 5:55 Weather. 6:00 News. 6:15 Feedback; Chris Dunkley of the Financial Times airs listeners' complaints about BBC programmes and policy. 6:30 The Ballad of John Axon. 7:00 In Business. 7:30 Bookshelf. 8:00 Justice. 8:45 Heard Not Seen. 9:00 News; Treasure Islands. 9:15 The Natural History Programme. 9:59 Weather. 10:00 News. 10:15 The Flame of Hope (s). 11:00 Where Music Sounds (s). 11:30 Seeds of Faith (s). 12:00-12:30 am News.

BBC RADIO 5

6:00 am World Service. 7:30 Sunday Edition. 9:02 This Family Business. 10:30 Education Matters. 11:00 Sport. 11:02 Soundwaves. 11:30 Talking Poetry: calls with Spike Milligan. 12:00 Sport, followed by an interlude. 12:15 pm Desert Island Discs (*as Radio 4*). 1:00 Sport. 1:05 A Vous La France. 1:30 Espana Viva. 2:00 As Radio 2. 6:02 As Radio 4. 6:00 Sport. 6:10 Open University. 7:00 As Radio 1. 9:00 Nightbeat. 9:30 Across the Line. 11:05 World Service. 12:05-12:10 am Sport.